

Company Registration No 3966303 (England and Wales)

HYPERWAVE LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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HYPERWAVE LIMITED

COMPANY INFORMATION

Director	C A Michel
Secretary	G Gotterbarm
Company number	3966303
Registered office	Abbey House Wellington Way Brooklands Business Park Weybridge Surrey KT13 0TT
Auditors	HLB Vantis Audit plc 82 St John Street London EC1M 4JN
Business address	Abbey House Wellington Way Brooklands Business Park Weybridge Surrey KT13 0TT

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HYPERWAVE LIMITED

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HYPERWAVE LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2006

The director presents his report and financial statements for the year ended 31 December 2006

Principal activities and review of business

The company provides licences, support and training in connection with knowledge management software developed or owned by its parent company

Following poor trading conditions in 2005, the company's parent company, Hyperwave AG ("AG") entered into administration. Because the company was dependent on financial support from AG it also entered administration in October 2005.

In March 2006, after reaching a compromise agreement with certain of its creditors the company exited administration. It continues to trade as before, with financial support now provided by its new parent company, NewHyperG AG, which has since changed its name to Hyperwave AG. Hyperwave AG had previously purchased the business and assets of AG, including its shareholding in the company.

The director considers the results for the year to be disappointing. Steps are being taken to render the company profitable.

Directors

The following directors have held office since 1 January 2006

C A Michel

G Pail

(Resigned 12 April 2007)

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, HLB Vantis Audit plc will be deemed to be reappointed for each succeeding financial year.

HYPERWAVE LIMITED

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2006

Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

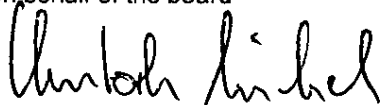
Statement of disclosure to auditor

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board



C A Michel

Director

29-02-08

HYPERWAVE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HYPERWAVE LIMITED

We have audited the financial statements of Hyperwave Limited on pages 5 to 11 for the year ended 31 December 2006. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the director's report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

HYPERWAVE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF HYPERWAVE LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the director's report is consistent with the financial statements

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1.1 of the financial statements concerning the Company's ability to continue as a going concern. At 31 December 2006, the Company's current liabilities exceeded its total assets by £501,995. These conditions, along with the other matters explained in note 1.1 of the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

HLB Vantis Audit plc

HLB Vantis Audit plc

3 March 2008

Chartered Accountants
Registered Auditors



82 St John Street
London
EC1M 4JN

HYPERWAVE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover		2,330,119	883,443
Cost of sales		(1,042,624)	(172,902)
Gross profit		1,287,495	710,541
Administrative expenses		(1,592,712)	(1,575,747)
		(305,217)	(865,206)
Exceptional item - Intercompany balance forgiven		3,502,141	-
Exceptional item - Compromise with creditors		-	93,376
Operating profit/(loss)	2	3,196,924	(771,830)
Other interest receivable and similar income	3	173	4,454
Interest payable and similar charges		(1,906)	(28,326)
Profit/(loss) on ordinary activities before taxation		3,195,191	(795,702)
Tax on profit/(loss) on ordinary activities	4	-	-
Profit/(loss) for the year	10	3,195,191	(795,702)

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

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HYPERWAVE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	5		14,345		1,498
Current assets					
Debtors	6	850,411		211,776	
Cash at bank and in hand		83,210		669	
		<u>933,621</u>		<u>212,445</u>	
Creditors: amounts falling due within one year	7	<u>(1,449,961)</u>		<u>(3,911,129)</u>	
Net current liabilities			<u>(516,340)</u>		<u>(3,698,684)</u>
Total assets less current liabilities			<u>(501,995)</u>		<u>(3,697,186)</u>
Capital and reserves					
Called up share capital	9		1		1
Profit and loss account	10		<u>(501,996)</u>		<u>(3,697,187)</u>
Shareholders' funds			<u>(501,995)</u>		<u>(3,697,186)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Approved by the Board for issue on

29.02.2008



C A Michel
Director

HYPERWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

1.1 Accounting convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

The company's ability to continue as a going concern is dependent, to a large extent, on receiving continued financial support from its parent company, Hyperwave AG (formerly NewHyperG AG). The directors have received confirmation that Hyperwave AG will not seek in the ordinary course of business repayment of any amounts due to it by the company for the period of at least 12 months from the date of approval of the financial statements if such repayment would render the company unable to pay its liabilities to third parties as and when they fall due. However, there may be circumstances, such as unforeseen adverse trading conditions, which occur that would render the support provided by Hyperwave AG insufficient to enable the company to continue trading and there can be no certainty on such matters.

The directors have therefore concluded, on the basis of Hyperwave AG's confirmation and a review of the company's projected working capital requirements for the next 12 months following the date of approval of these financial statements, that it remains appropriate to apply the going concern concept in preparing the financial statements. Accordingly, the financial statements do not include any adjustments that might be necessary if the going concern concept were deemed inappropriate.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised on delivery of the product or service except for revenue from support contracts which is spread over the period of the service supplied. Commission is recognised when the order is placed by the customer.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line
Fixtures, fittings & equipment	25% straight line

1.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

HYPERWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

2 Operating profit/(loss)	2006	2005
	£	£
Operating profit/(loss) is stated after charging		
Depreciation of tangible assets	4,158	3,866
Exceptional item bad debt provision	-	(112,037)
Operating lease rentals - land and buildings	113,224	94,857
Auditors' remuneration	5,250	5,000
Director's remuneration	35,492	57,714
Remuneration of auditors for non-audit work	42,377	61,570
and after crediting		
Exceptional item costs borne by parent company	(54,819)	-
Exceptional item intercompany loan forgiven	(3,502,141)	-
Exceptional item compromise with creditors	-	(93,376)
Profit on foreign exchange transactions	(17,992)	-

During the period of administration the company entered into a compromise agreement with certain of its creditors and agreed to pay them an amount of 20% of their outstanding debt

3 Investment income	2006	2005
	£	£
Bank interest	173	4,454

4 Taxation

The company has estimated losses of £ 2,066,000 (2005 - £ 3,500,000) available for carry forward against future trading profits

On the basis of these financial statements no provision has been made for corporation tax. There is an unprovided deferred tax asset in respect of tax losses carried forward of approximately £392,000 (2005 £665,000). The asset is recoverable only if sufficient taxable profits are generated in future years.

HYPERWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 January 2006	55,788
Additions	17,005
	<hr/>
At 31 December 2006	72,793
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Depreciation	
At 1 January 2006	54,290
Charge for the year	4,158
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At 31 December 2006	58,448
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Net book value	
At 31 December 2006	14,345
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At 31 December 2005	1,498
	<hr/>

6 Debtors	2006 £	2005 £
Trade debtors	775,388	87,228
Other debtors	75,023	124,548
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	850,411	211,776
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HYPERWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

7 Creditors: amounts falling due within one year	2006	2005
	£	£
Trade creditors	112,244	38,402
Amounts owed to parent company	667,918	3,502,141
Taxes and social security costs	234,079	95,530
Other creditors	942	39,650
Accruals and deferred income	434,778	235,406
	<u>1,449,961</u>	<u>3,911,129</u>

The loan from the parent company is interest free and repayable on demand. The parent company has confirmed, as disclosed in note 1, that repayment will not be required if repayment would lead to the company being unable to meet its other liabilities as and when they fall due.

8 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. At 31 December 2006, there was a balance of £1,130 debtor (2005 £3,050 creditor) outstanding.

	2006	2005
	£	£
Contributions payable by the company for the year	<u>6,567</u>	<u>8,826</u>

9 Share capital	2006	2005
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	<u>1</u>	<u>1</u>

HYPERWAVE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2006	(3,697,187)
Profit for the year	3,195,191
Balance at 31 December 2006	<u>(501,996)</u>

11 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	2006 £	2005 £
Operating leases which expire Between two and five years	<u>107,520</u>	<u>95,520</u>

12 Control

From January 2006 and for the remainder of the year, the parent company was Hyperwave AG (formerly NewHyperG AG), a company incorporated in Austria

13 Related party transactions

During the year, the company received commission of £366,551 (2005 £Nil) from its current parent company, Hyperwave AG (formerly NewHyperG AG)

During the year the company was charged £547,142 for direct costs and £76,208 for management charges by its current parent company, Hyperwave AG (formerly NewHyperG AG)

During the year, part of the balance owed to the parent company, Hyperwave AG, amounting to £3,502,141 was forgiven by the parent company and written off to the profit and loss account

During the year, the parent company bore expenses on behalf of the company of £54,819. In 2005, the company was charged £94,784 for direct costs by the then parent company, AG

Included in creditors falling due within one year is an amount of £667,918 owed to the current parent company, Hyperwave AG (formerly NewHyperG AG)

During the year, the company was charged £27,785 by Hyperwave Information Management GmbH, a fellow subsidiary, for expenses paid on the company's behalf. Included in creditors falling due within one year is an amount of £27,785 (2005 £Nil) owed to Hyperwave Information Management GmbH