SIMULATIONS PLUS INC
Form 10QSB
January 14, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-QSB

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2007 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1937

For the transition period from _____ to _____

Commission file number: 001-32046

SIMULATIONS PLUS, INC.
(Name of small business issuer in its charter)

CALIFORNIA	95-4595609
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer identification No.)

42505 10TH STREET WEST
LANCASTER, CA 93534-7059
(Address of principal executive offices including zip code)

(661) 723-7723
(Issuer's telephone number, including area code)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

The number of shares outstanding of the Issuer's common stock, par value $0.001 per share, as of January 11, 2008, was 16,161,400.

SIMULATIONS PLUS, INC.
FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED NOVEMBER 30, 2007

Table of Contents

PART I. FINANCIAL INFORMATION

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(Unaudited)
November 30, 2006

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$4,584,313
Accounts receivable, net of allowance for doubtful accounts and estimated contractual discounts of $117,050	2,379,574
Inventory	237,167
Prepaid expenses and other current assets	69,079
Deferred tax asset	200,954
Total current assets	7,471,087
CAPITALIZED COMPUTER SOFTWARE DEVELOPMENT COSTS, net of accumulated amortization of $2,973,764	1,585,610

PROPERTY AND EQUIPMENT, net (note 4)	77,003
CUSTOMER RELATIONSHIPS, net of accumulated amortization of $66,328	61,714
OTHER ASSETS	18,445
TOTAL ASSETS	$9,213,859

The accompanying notes are an integral part of these financial statements.

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
(Unaudited)
November 30, 2006

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 225,150
Accrued payroll and other expenses	507,845
Accrued bonuses to officer	21,339
Accrued warranty and service costs	35,004
Accrued income tax	36,513
Total current liabilities	825,851
Long-Term liabilities	
Deferred tax liability	313,215
Total liabilities	1,139,066
COMMITMENTS AND CONTINGENCIES (note 5)	
SHAREHOLDERS' EQUITY (note 6)	
Preferred stock, $0.001 par value	
10,000,000 shares authorized	
no shares issued and outstanding	--
Common stock, $0.001 par value	
20,000,000 shares authorized	
15,981,400 shares issued and outstanding	4,453
Additional paid-in capital	5,970,525
Retained Earnings	2,099,815
Total shareholders' equity	8,074,793

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$9,213,859

The accompanying notes are an integral part of these financial statements.

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended November 30,
(Unaudited)

	2007	2006
NET SALES	$ 1,983,809	$ 1,456,451
COST OF SALES	485,940	441,440
GROSS PROFIT	1,497,869	1,015,011
OPERATING EXPENSES		
Selling, general, and administrative	930,291	756,777
Research and development	225,951	183,627
Total operating expenses	1,156,242	940,404
INCOME (LOSS) FROM OPERATIONS	341,627	74,607
OTHER INCOME (EXPENSE)		
Interest income	45,147	15,928
Miscellaneous income	25	358
Gain (Loss) on currency exchange	18,635	2,972
Total other income (expense)	63,807	19,258
INCOME (LOSS) BEFORE INCOME TAXES	405,434	93,865
BENEFIT FROM (PROVISION FOR) INCOME TAXES		
Benefit from (provision for) income tax	(162,174)	(20,650)
Total benefit from (provision for) income taxes	(162,174)	(20,650)
NET INCOME (LOSS)	$ 243,260	$ 73,215
BASIC EARNINGS (LOSS) PER SHARE	$ 0.02	$ 0.00

DILUTED EARNINGS (LOSS) PER SHARE	$ 0.01	$ 0.00
WEIGHTED-AVERAGE COMMON SHARES OUTSTANDING*		
BASIC	15,911,312	14,889,102
DILUTED	18,429,743	17,097,120

* The numbers of shares at November 30, 2007 and 2006 reflect the 2-for-1 stock splits which occurred on both October 1, 2007 and August 14, 2006.

The accompanying notes are an integral part of these financial statements.

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended November 30,
(Unaudited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 243,260	$ 73,215
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	12,900	11,604
Amortization of customer relationships	6,982	8,478
Amortization of capitalized software development costs	116,171	107,178
Bad Debts	62,947	--
Deferred tax	125,661	20,650
Stock-based compensation	5,185	6,451
Contribution of Equipment at book value	--	774
(Increase) decrease in		
Accounts receivable	(334,849)	372,475
Inventory	(6,253)	3,142
Other assets	4,590	24,399
Increase (decrease) in		
Accounts payable	23,904	(74,870)
Accrued payroll and other expenses	16,233	8,649
Accrued bonuses to officers	(179,950)	(88,323)
Accrued income taxes	(34,787)	(1,600)
Accrued warranty and service costs	(3,164)	100
Deferred revenue	--	90,213
Net cash provided by operating activities	58,830	562,535
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	--	(18,272)
Capitalized computer software development costs	(173,971)	(132,967)

Net cash used in investing activities	(173,971)	(151,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the exercise of stock options	161,740	6,450
Net cash provided by financing activities	161,740	6,450
Net increase (decrease) in cash and cash equivalents	$ 46,599	$ 417,746

The accompanying notes are an integral part of these financial statements.

SIMULATIONS PLUS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended November 30,
(Unaudited)

	2007	2006
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,537,714	1,685,036
CASH AND CASH EQUIVALENTS, END OF PERIODS	$ 4,584,313	$ 2,102,782
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
INTEREST PAID	$ --	$ --
INCOME TAXES PAID	$ 80,000	$ 1,600

The accompanying notes are an integral part of these financial statements.

SIMULATIONS PLUS, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

Note 1: GENERAL

As contemplated by the Securities and Exchange Commission under Item 310(b) of Regulation S-B, the accompanying financial statements and footnotes have been condensed and therefore do not contain all disclosures required by generally accepted accounting principles. The interim financial data are unaudited; however, in the opinion of Simulations Plus, Inc. ("we", "our", "us"), the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. Results for interim periods are not necessarily indicative of those to be expected for the full year.

Note 2: SIGNIFICANT ACCOUNTING POLICIES

Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. Actual results could differ from those estimates. Significant accounting policies for us include revenue recognition, accounting for capitalized software development costs, and accounting for income taxes.

Principles of Consolidation

The consolidated financial statements include the accounts of Simulations Plus, Inc. and its wholly owned subsidiary, Words+, Inc. All significant intercompany accounts and transactions are eliminated in consolidation.

Revenue Recognition

We recognize revenue related to software licenses and software maintenance in accordance with the American Institute of Certified Public Accountants ("AICPA") Statements of Position (SOP) No. 97-2, "Software Revenue Recognition." Product revenue is recorded at the time of unlocking the software on the customer's computer(s), net of estimated allowances and returns. Post-contract customer support ("PCS") obligations are insignificant; therefore, revenue for PCS is recognized at the same time, and the costs of providing such support services are accrued and amortized over the obligation period.

As a by-product of ongoing improvements and upgrades to our software, some modifications are provided to customers, who have already licensed software, at no additional charge. We consider these modifications to be minimal, as they are not changing the basic functionality or utility of the software, but rather adding convenience, such as being able to plot some additional variable on a

graph in addition to the numerous variables that had been available before. Such software modifications for any single product have been typically once or twice per year, sometimes more, sometimes less. Thus, they are infrequent. We provide, for a fee, additional training and service calls to our customers and recognize revenue at the time the training or service call is provided.

We enter into one-year license agreements with most of our customers for the use of our pharmaceutical software products. However, from time to time, we enter into multi-year license agreements. We now unlock and invoice software one year at a time for multi-year licenses. Therefore, revenue is now recognized one year at a time. This eliminates the extreme variability in our reported revenues and earnings that we experienced in the past caused by booking multi-year license revenues up front.

Cash and Cash Equivalents

For purposes of the statements of cash flows, we consider all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

We maintain an allowance for doubtful accounts for estimated losses that may arise if any of our customers are unable to make required payments. We specifically analyze the age of customer balances, historical bad debt experience, customer credit-worthiness, and changes in customer payment terms when making estimates of the uncollectability of our trade accounts receivable balances. If we determine that the financial conditions of any of our customers deteriorated, whether due to customer-specific or general economic issues, an increase in the allowance may be made. Accounts receivable are written off when all collection attempts have failed.

Inventory

Inventory is stated at the lower of cost (first-in, first-out basis) or market and consists primarily of computers and peripheral computer equipment.

Capitalized Computer Software Development Costs

Software development costs are capitalized in accordance with SFAS No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or otherwise Marketed." Capitalization of software development costs begins upon the establishment of technological feasibility and is discontinued when the product is available for sale.

The establishment of technological feasibility and the ongoing assessment for recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors including, but not limited to, technological feasibility, anticipated future gross revenues, estimated economic life, and changes in software and hardware technologies. Capitalized software development costs are comprised primarily of salaries and direct payroll-related costs and the purchase of existing software to be used in our software products.

Amortization of capitalized software development costs is provided on a product-by-product basis on the straight-line method over the estimated economic life of the products (not to exceed five years). Amortization of software development costs amounted to $116,171 and $107,178 for the three months ended

November 30, 2007 and 2006, respectively. We expect future amortization expense to vary due to increases in capitalized computer software development costs.

We test capitalized computer software costs for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable within a reasonable time.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives as follows:

Equipment	5 years
Computer equipment	3 to 7 years
Furniture and fixtures	5 to 7 years
Leasehold improvements	5 years

Maintenance and minor replacements are charged to expense as incurred. Gains and losses on disposals are included in the results of operations.

Fair Value of Financial Instruments

For certain of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, accrued payroll and other expenses, accrued bonuses to officers, and accrued warranty and service costs, the carrying amounts approximate fair value due to their short maturities.

Shipping and Handling

Shipping and handling costs, recorded as cost of sales, amounted to $22,507 and $22,679 for the three months ended November 30, 2007 and 2006, respectively.

Research and Development Costs

Research and development costs are charged to expense as incurred until technological feasibility has been established. These costs consist primarily of salaries and direct payroll-related costs. It also includes purchased software which was developed by other companies and incorporated into, or used in the development of, our final products.

Income Taxes

The Company utilizes SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of deferred tax assets and liabilities for expected future tax consequences of events that have been included in the financial statements or tax returns.

Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax payable for the period and the change during the period in deferred tax assets and liabilities.

The evaluation of the deferred tax assets is based on our history of generating

taxable profits and our projections of future profits as well as expected future tax rates to determine if the realization of the deferred tax asset is more-likely-than-not. Significant judgment is required in these evaluations, and differences in future results from our estimates could result in material differences in the realization of these assets.

Customer relationships

The Company purchased customer relationships as a part of the acquisition of certain assets of Bioreason, Inc. in November 2005. Customer relationships was recorded at a cost of $128,042, and is being amortized over 78 months under the sum-of-the-years'-digits method. Amortization expense for the three months ended and accumulated amortization as of November 30, 2007 and 2006 amounted to $66,328 and $36,156, respectively.

Earnings per Share

The Company reports earnings per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. The components of basic and diluted earnings per share for the three months ended November 30, 2007 and 2006 were as follows (the number of shares at 11/30/2006 reflects the effect of 2-for-1 stock splits on October 1, 2007 and August 14, 2006 for comparison purposes):

	11/30/2007	11/30/2006
Numerator		
Net income attributable to common shareholders	$ 243,260	$ 73,215
Denominator		
Weighted-average number of common shares outstanding during the year	15,911,312	14,889,102
Dilutive effect of stock options	2,518,431	2,208,018
Common stock and common stock equivalents used for diluted earning per share	18,429,743	17,097,120

Stock-Based Compensation

Effective September 1, 2006, we adopted SFAS No. 123R using the modified prospective method. Under this method, compensation cost recognized during the three months ended November 30, 2007 includes: (1) compensation cost for all share-based payments granted prior to, but not yet vested as of September 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123 amortized over the options' vesting period, and (2) compensation cost for all share-based payments granted subsequent to September 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R amortized on a straight-line basis over the

options' vesting period. As a result of adopting SFAS No. 123R on September 1, 2006, our stock-based compensation were $5,185 and $6,451 for the three months ended November 30, 2007 and 2006, respectively, and included in the condensed consolidated statements of operations as Consulting, and Research and development expense.

Concentrations and Uncertainties

International sales accounted for 30% and 29% of net sales for the three months ended November 30, 2007 and 2006, respectively. For Simulations Plus, Inc., three customers accounted for 41%, 8%, and 7% of net sales during the three months ended November 30, 2007, compared with one customer accounting for 22% of net sales during the same period in FY06. For Words+, Inc., two government agencies accounted for 22% and 7% of net sales during the three months ended November 30, 2007, compared with one government agency accounting for 27.9% of net sales during the same period in FY06.

The Company operates in the computer software industry, which is highly competitive and changes rapidly. The Company's operating results could be significantly affected by its ability to develop new products and find new distribution channels for new and existing products.

For Simulations Plus, three customers comprised 50%, 7%, and 6% of its accounts receivable at November 30, 2007, and four customers comprised 41%, 13%, 11% and 10% of accounts receivable at November 30, 2006. The accounts receivable balance of Simulations Plus increased $802,000, or 198.5%, to $1,207,000 at November 30, 2007 from $404,000 at November 30, 2006. This is due primarily a large order that came in mid November. For Words+, two government agencies comprised 35% and 10%, and one insurance agency comprised 9% of its accounts receivable at November 30, 2007, and one government agency comprised 30% of its accounts receivable at November 30, 2006.

The Company's subsidiary, Words+, Inc., purchases components for its main computer products from three manufacturers. Words+, Inc. also uses a number of pictographic symbols that are used in its software products which are licensed from a third party. The inability of the Company to obtain computers used in its products or to renew its licensing agreement to use pictographic symbols could negatively impact the Company's financial position, results of operations, and cash flows.

Recently Issued Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. The provisions of FIN 48 were effective for the Company on September 1, 2007. The adoption of FIN 48 did not have a material impact on our consolidated financial statements.

Note 3: PROPERTY AND EQUIPMENT

Furniture and equipment as of November 30, 2007 consisted of the following:

Equipment	$ 163,121
Computer equipment	334,605
Furniture and fixtures	61,498
Automobile	21,769

Leasehold improvements	53,898
Sub total	634,891
Less: Accumulated depreciation and amortization	(557,888)
Net Book Value	77,003

Note 4: COMMITMENTS AND CONTINGENCIES

Employee Agreement

On August 9, 2007, the Company entered into an employment agreement with its President/Chief Executive Officer that expires in August 2009. The employment agreement provides for an annual salary of $250,000. At the CEO's request, this new agreement does not include an annual bonus, which has ranged up to $150,000 in all previous agreements. Thus, a savings to the Company of up to $75,000 per year may be realized as a result of this new agreement. The agreement also provides that the Company may terminate the agreement upon 30 days' written notice if termination is without cause. The Company's only obligation would be to pay its President the greater of a) 12 months salary or b) the remainder of the term of the employment agreement from the date of notice of termination.

Litigation

On April 6, 2006 we received notice from a liquidator for the former French subsidiary of Bioreason (Bioreason SARL), saying that the liquidator had initiated legal action against Simulations Plus in the French courts with respect to ClassPharmer distribution rights to European customers, and is claiming commissions and legal fees with respect to European customers. We have been working through our U.S. attorneys and a law firm in Paris. We filed a counterclaim for our rights and lost sales against Bioreason SARL's assets by sending a debt recovery declaration to the liquidator on June 15, 2006.

On May 23, 2007, we received an e-mail from our French Lawyer that we had received a proposal for an amicable settlement, in which we would give up our claims if Bioreason SARL would agree to waive any claims against Simulations Plus. This proposal was accepted by phone by the lawyer of Bioreason SARL, and now we have signed the agreement which has been submitted to French court.

On July 13, 2007, we received another e-mail from our French Lawyer that the agent in charge of the liquidation of Bioreason SARL requested the hearing to be postponed until October 11, 2007, and her request was accepted by the French supervisory judge.

On October 31, 2007, our French lawyer informed us that the hearing was again postponed until November 2007.

As of today, we are still waiting for the approval of the settlement agreement from the commercial division of French Ordinary Court.

Note 5: STOCKHOLDERS' EQUITY

Stock Option Plan

In September 1996, the Board of Directors adopted and the shareholders approved

the 1996 Stock Option Plan (the "Option Plan") under which a total of 250,000 shares of common stock had been reserved for issuance. In March 1999, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 500,000. In February 2000, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 1,000,000. In December 2000, the shareholders approved an increase in the number of shares that may be granted under the Option Plan to 1,250,000. Furthermore, in February 2005, the shareholders approved additional 250,000 shares, resulting to the total number of shares that may be granted under the Option Plan to 1,500,000. All of the preceding numbers of options are based on numbers of options prior to the two-for-one stock split on August 14, 2006. The 1996 Stock Option Plan terminated in September 2006 by its term.

On February 23, 2007, the Board of Directors adopted and the shareholders approved the 2007 Stock Options Plan under which a total of 500,000 shares of common stock had been reserved for issuance.

The following table summarizes the stock option transactions. All of the numbers of options reflect a 2-for-1 stock split on August 14, 2006 and another 2-for-1 stock split on October 1, 2007.

	Number of Options	Weighted-Average Exercise Price Per Share
Outstanding, August 31, 2007	3,209,736	$ 0.68
Granted	--	$ --
Exercised	(220,000)	$ 0.74
Expired/Cancelled	(202,000)	$ 0.59
Outstanding, November 30, 2007	2,787,736	$ 0.69
Exercisable, November 30, 2007	2,687,736	$ 0.69

Options Outstanding & Unvested at November 30, 2007

	Number Outstanding	Remaining Contractual Life (in years)	*Weighted Average Fair Market Price
Non Vested before 9/1/2007	170,000		$ 0.86
Granted	-		$ -
Vested	(42,000)		$ 0.32
Cancelled	-		$ -
Non Vested at 11/30/2007	128,000	7.87	$ 0.32

*Weighted Average Fair Market Price was calculated by using the Black-Scholes option valuation model, which was developed for use in estimating the fair value of traded options and do not have vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly

subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The weighted-average remaining contractual life of options outstanding issued under the Plan was 4.2 years at November 30, 2007. The exercise prices for the options outstanding at November 30, 2007 ranged from $0.27 to $1.24, and the information relating to these options is as follows:

Exercise Price	Stock Options Outstanding	Stock Options Exercisable	Weighted-Average Remaining Contractual Life of Options Outstanding	Weighted-Av Exercise Price of Options Outstandin
$0.27 - 0.50	1,033,936	1,033,936	2.7 years	$ 0
$0.50 - 0.75	861,200	861,200	2.2 years	$ 0
$0.75 - 1.24	892,600	764,600	7.8 years	$ 1
	2,787,736	2,659,736		

Other Stock Options

As of November 30, 2007, the independent members of the Board of Directors hold options to purchase 52,824 shares of common stock at exercise prices ranging from $0.30 to $6.68, which options were granted on or before November 30, 2007.

	Number of Options	Weighted average exercise price
Options Outstanding	52,824	$ 1.55
Options exercisable	40,024	$ 0.58

Note 6: SEGMENT AND GEOGRAPHIC REPORTING

We account for segments and geographic revenues in accordance with SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." Our reportable segments are strategic business units that offer different products and services. Results for each segment and consolidated results are as follows for the three months ended November 30, 2007 and 2006:

	November 30, 2007			
	Simulations Plus, Inc	Words +, Inc.	Eliminations	Total
Net Sales	1,438,426	545,383		1,983,809
Income (loss) from operations	489,505	(147,878)		341,627
Identifiable assets	8,964,153	2,108,881	(1,859,175)	9,213,859
Capital expenditures	-	-		-

Depreciation and Amortization	118,165	17,888	136,053

November 30, 2006

	Simulations Plus, Inc	Words +, Inc.	Eliminations	Total
Net Sales	824,303	632,148		1,456,451
Income (loss) from operations	109,089	(34,482)		74,607
Identifiable assets	6,515,286	1,793,374	(1,774,914)	6,533,746
Capital expenditures	5,874	12,398		18,272
Depreciation and Amortization	93,153	34,107		127,260

In addition, the Company allocates revenues to geographic areas based on the locations of its customers. Geographical revenues for the three months ended November 30, 2007 and 2006 were as follows (in thousands):

November 30, 2007

	North America	Europe	Asia	Oceania	South America	Total
Simulations Plus, Inc.	859	417	162	-0-	-0-	1,439
Words+, Inc.	519	14	11	1	-0-	545
Total	1,379	430	173	1	-0-	1,984

November 30, 2006

	North America	Europe	Asia	Oceania	South America	Total
Simulations Plus, Inc.	471	173	180	-0-	-0-	824
Words+, Inc.	563	49	18	-0-	2	632
Total	1,034	222	198	-0-	2	1,456

Note 7: EMPLOYEE BENEFIT PLAN

We maintain a 401(K) Plan for all eligible employees. We make matching contributions equal to 100% of the employee's elective deferral, not to exceed 4% of total employee compensation. We can also elect to make a profit-sharing contribution. Contributions by the Company to this Plan amounted to $18,037 and

$14,703 for the three months ended November 30, 2007 and 2006, respectively.

Note 8: SUBSEQUENT EVENT

Since December 1, 2007, an additional 180,000 stock options to purchase shares have been exercised by employees that generated $172,425 in proceeds.

Item 2. Management's Discussion and Analysis or Plan of Operations

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS IN THIS QUARTERLY REPORT ON FORM 10-QSB, OR THE "REPORT," ARE "FORWARD-LOOKING STATEMENTS." THESE FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, STATEMENTS ABOUT THE PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS OF SIMULATIONS PLUS, INC., A CALIFORNIA CORPORATION (REFERRED TO IN THIS REPORT AS THE "COMPANY") AND OTHER STATEMENTS CONTAINED IN THIS REPORT THAT ARE NOT HISTORICAL FACTS. FORWARD-LOOKING STATEMENTS IN THIS REPORT OR HEREAFTER INCLUDED IN OTHER PUBLICLY AVAILABLE DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, OR THE "COMMISSION," REPORTS TO OUR STOCKHOLDERS AND OTHER PUBLICLY AVAILABLE STATEMENTS ISSUED OR RELEASED BY US INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH COULD CAUSE OUR ACTUAL RESULTS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS TO DIFFER FROM THE FUTURE RESULTS, PERFORMANCE (FINANCIAL OR OPERATING) OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FUTURE RESULTS ARE BASED UPON MANAGEMENT'S BEST ESTIMATES BASED UPON CURRENT CONDITIONS AND THE MOST RECENT RESULTS OF OPERATIONS. WHEN USED IN THIS REPORT, THE WORDS "EXPECT," "ANTICIPATE," "INTEND," "PLAN," "BELIEVE," "SEEK," "ESTIMATE" AND SIMILAR EXPRESSIONS ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, BECAUSE THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES. THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS, INCLUDING OUR PLANS, OBJECTIVES, EXPECTATIONS AND INTENTIONS AND OTHER FACTORS.

GENERAL

BUSINESS

Simulations Plus, Inc. (the "Company" or "Simulations Plus", or "we" or "our") and its wholly owned subsidiary, Words+, Inc. ("Words+") produce different types of products: (1) Simulations Plus, incorporated in 1996, develops and produces software for use in pharmaceutical research and for education, and also provides contract research services to the pharmaceutical industry, and (2) Words+, founded in 1981, produces computer software and specialized hardware for use by persons with disabilities, as well as a personal productivity software program called Abbreviate! for the retail market. For the purposes of this document, we sometimes refer to the two businesses as "Simulations Plus" when referring to the business that is primarily pharmaceutical software and services, and "Words+" when referring to the business that is primarily assistive technologies for persons with disabilities.

SIMULATIONS PLUS

PRODUCTS

We currently offer four software products for pharmaceutical research: ADMET Predictor(TM), ClassPharmer(TM), DDDPlus(TM), and GastroPlus(TM).

ADMET PREDICTOR

ADMET (Absorption, Distribution, Metabolism and Excretion and Toxicity) Predictor consists of a library of statistically significant numerical models that predict various properties of chemical compounds from just their molecular structures. This capability means a chemist can merely draw a molecule diagram and get estimates of these properties, even though the molecule has never existed. Drug companies search through millions of such "virtual" molecular

structures as they attempt to find new drugs. The vast majority of these molecules are not suitable as medicines for various reasons. Some have such low solubility that they will not dissolve well, some have such low permeability through the intestinal wall that they will not be absorbed well, some degrade so quickly that they are not stable enough to have a useful shelf life, some bind to proteins (like albumin) in blood to such a high extent that little unbound drug is available to reach the target, and some will be toxic in various ways. Identification of such properties as early as possible enables researchers to eliminate poor compounds without spending time and money to make them and then run experiments to identify these weaknesses. Today, many molecules can be eliminated on the basis of computer predictions, such as those provided by ADMET Predictor.

Several studies have now been published that compare the predictive accuracy of software programs like ADMET Predictor. In each case, out of more than a dozen programs, ADMET Predictor has been ranked first in accuracy over all other programs (it was ranked second in one study, but that study was later redone with a more difficult set of test compounds and a newer version of ADMET Predictor, and it was then ranked first). No other software product was consistently in the top 4 in these studies. This is a remarkable accomplishment, considering the greater size and resources of many of our competitors.

ADMET Predictor includes ADMET Modeler. ADMET Modeler was first released in July of 2003 as a separate product, and was integrated into ADMET Predictor in 2006. This powerful program automates the generation of predictive models used in ADMET Predictor in a small fraction of the time once required to build these models. For example, new toxicity models were developed in a matter of a few hours once we completed the tedious effort of "cleaning up" the databases (which seem to always contain a significant number of errors). Prior to the availability of ADMET Modeler, we would have needed as much as three months after cleaning the databases for each new model to obtain similar results.

Pharmaceutical companies spend enormous amounts of money conducting a wide variety of experiments on new molecules each year. Using such data to build predictive models provides a second return on this investment; however, in the past, model-building has traditionally been a tedious activity that required a specialist. With ADMET Modeler, scientists without model-building experience can now use their own experimental data to quickly create high quality predictive models.

During this reporting period, improvement of ADMET Predictor/Modeler has continued. We completed Phase I of our NIH SBIR (Small Business Innovation Research) grant and we finalized our Phase II proposal, which was submitted on December 5, 2007. Our Phase I study clearly demonstrated that we are able to generate partial atomic charges within molecules with excellent accuracy at a rate of millions of molecules per day, compared with traditional methods that require about one day per molecule. Because of this success, we are optimistic about our Phase II proposal for an additional $750,000 over two years. However, there can be no assurances that we will receive a Phase II award, nor that if we do receive one, that it will be in the amount of $750,000 for the two-year period of performance.

Another improvement to ADMET Predictor has been the development of predictive models for metabolism of new compounds by a certain class of enzymes known as Cytochrome P450 enzymes. This work, which began in 2006, has been done in collaboration with Enslein Research, Inc. ("Enslein") of Rochester, New York. We announced in a press release on September 20, 2007 that we had signed an agreement with Enslein that gives Simulations Plus exclusive access to Enslein's database of metabolism measurements that had been developed under a National Institutes of Health Small Business Innovation Research grant. We are currently awaiting final results from our beta testers in the pharmaceutical industry to release this product.

ADMET Predictor is compatible with the popular Pipeline Pilot(TM) software offered by SciTegic, a subsidiary of Accelrys. This software serves as a tool to allow chemists to run several different software programs in series to accomplish a set workflow for large numbers of molecules. In early discovery, chemists often work with hundreds of thousands or millions of "virtual" molecules - molecules that exist only in a computer. The chemist tries to decide which few molecules from these large "libraries" should be made and tested. Using Pipeline Pilot with ADMET Predictor (and ClassPharmer - see below), perhaps in conjunction with other software products, the chemist can create and screen very large libraries faster and more efficiently than running each program by itself.

Modifications that provide enhanced user convenience and data analysis capabilities continue to be added to both ADMET Predictor and ADMET Modeler. We are developing improved methods for selecting the best molecular descriptors for modeling a particular molecular property. We have updated our HIV-1 Integrase prediction models. We are investigating additional toxicity databases to extend the number of toxicity predictions provided in ADMET Predictor. A dynamic linked library (dll) module that provides a limited version of ADMET Predictor allows both GastroPlus and ClassPharmer to call ADMET Predictor directly for further convenience. We expect that this new capability will increase sales of ADMET Predictor to users who want the combined capabilities of GastroPlus or ClassPharmer with ADMET Predictor, but who do not need the full capabilities of ADMET Predictor/ADMET Modeler. These new capabilities were demonstrated in Sendai, Japan at the International Society for the Study of Xenobiotics meeting in October 2007.

ClassPharmer

ClassPharmer improvements during the first quarter were focused on incorporating new features requested by users around the world, as well as adding other new capabilities identified in-house. In October 2007, we announced the release of a new version of ClassPharmer (4.4) that further enhances the ability of the program to design new molecules. This new capability provides a way for chemists to automatically generate large numbers of novel chemical structures based on

the known chemistry from compounds that have already been synthesized and tested. We have also begun a tight integration with our ADMET Predictor software that will enable rapid and convenient generation and evaluation of new chemical structures to dramatically accelerate the drug discovery process for medicinal chemists. We added export of results in Microsoft Excel(TM) format as well as other convenient file formats requested by users. We further enhanced the new molecule design capabilities of ClassPharmer to make this expanded capability more flexible and powerful.

DDDPlus

DDDPlus sales have continued to grow as formulation scientists recognize the value of this one-of-a-kind simulation software in their work. Improvements have been added to further enhance the value of this product to our customers. Numerous user convenience features have been added, as well as more sophisticated handling of dosage forms that incorporate multiple polymers for controlled release. Work on DDDPlus was limited during this quarter in favor of other projects; however, the list of built-in excipients was expanded and a few features were improved.

GastroPlus

GastroPlus continues to enjoy its "gold standard" status in the industry for its class of simulation software. It is used from early drug discovery through preclinical development and into early clinical trials. The information provided through GastroPlus simulations guides project decisions in various ways. Among the kinds of knowledge gained through such simulations are: (1) the best "first dose in human" for a new drug prior to Phase I trials, (2) whether a potential

new drug compound is likely to be absorbed at high enough levels to achieve the desired blood concentrations needed for effective therapy, (3) whether the absorption process is affected by certain enzymes and transporter proteins in the intestinal tract that may cause the amount of drug reaching the blood to be very different from one region of the intestine to another, (4) when certain properties of a new compound are probably adequately estimated through computer ("IN SILICO") predictions or simple experiments rather than through more expensive and time-consuming IN VITRO or animal experiments, (5) what the likely variations in blood and tissue concentration levels of a new drug would be in a large population, in different age groups or in different ethnic groups, and (6) whether a new formulation for an existing approved drug is likely to demonstrate "bioequivalence" (equivalent blood concentration versus time) to the currently marketed dosage form in a human trial.

In this reporting period we improved the PDPlus(TM) Module to enhance the programs' capabilities in this area in order to attempt to capture a greater audience working in clinical trial data analysis. We added a new sophisticated kidney model to simulate how drugs are cleared in urine. And we added a number of convenience features requested by our users. We are also enhancing the graphics capabilities in GastroPlus to provide users with greater insight into the results they obtain with the program.

Our marketing intelligence indicates that GastroPlus enjoys a dominant position in the number of users worldwide. In addition to virtually every major pharmaceutical company, licenses include a growing number of smaller pharmaceutical and biotech companies, generic drug companies, and drug delivery companies (companies that design the tablet or capsule for a drug compound that was developed by another company). Although these companies are smaller than the

pharmaceutical giants, they can also save considerable time and money through simulation. We believe this part of the industry, which includes many hundreds of companies, represents major growth potential for GastroPlus. Our experience has been that the number of new companies adopting GastroPlus shows steady growth, adding to the base of annual licenses each year.

We are aware that other companies have developed competitive software; however, based on customer feedback, we believe that the competitive threat to GastroPlus is limited. We continue working on improving GastroPlus under the two-year (one full-time equivalent) contract we announced on August 31, 2006, as well as through our own internal product improvement efforts.

CONTRACT RESEARCH AND CONSULTING SERVICES

Our recognized expertise in oral absorption and pharmacokinetics is evidenced by the fact that our staff members have been speakers or presenters at over 40 prestigious scientific meetings worldwide in the past three years. We frequently conduct contracted studies for customers who prefer to have studies run by our scientists rather than to license our software and train someone to use it. The demand for our consulting services has been increasing steadily, and we expect this trend to continue. Consulting contracts serve both to showcase our technologies and as a way to build relationships with new customers, as well as strengthening relationships with our existing customers.

For example, during this reporting period we further improved our ability to simulate absorption through the oral cavity (lingual, sublingual, and buccal delivery) as part of a funded study contract begun in the previous fiscal quarter. This new route of administration required a significant amount of scientific investigation, programming changes, and actual data to validate the model equations. The customer provided the data and the program modifications

provided valuable insight to the customer about how an oral spray for a particular drug was being absorbed and metabolized in human. The customer now licenses GastroPlus.

GOVERNMENT-FUNDED RESEARCH

We completed our Phase I SBIR effort and our proposal for a Phase II follow-on grant on the order of $750,000. SBIR grant funds provide the ability to expand staff and grow the product line without adversely affecting earnings, because the expenses associated with the efforts in the studies are funded largely, if not completely, through the grants.

WORDS+ SUBSIDIARY

PRODUCTS

Our wholly owned subsidiary, Words+, Inc. has been an industry pioneer and technology leader for over 25 years in introducing and improving augmentative and alternative communication and computer access software and devices for disabled persons. We intend to continue to be at the forefront of the development of new products. We will continue to enhance our major software products, E Z Keys(TM) and Say-it! SAM(TM), as well as our growing line of hardware products. We are also considering acquisitions of other products, businesses and companies that are complementary to our existing augmentative and alternative communication and computer access business lines. We purchased the

Say-it! SAM technologies from SAM Communications, LLC of San Diego in December 2003. This acquisition gave us our smallest, lightest augmentative communication system, which is based on a Hewlett-Packard iPAQ personal digital assistant (PDA). PDA-based communication devices have been very successful in the augmentative communication market, and this technology purchase has enabled us to move into this market segment faster and at lower cost than developing the product ourselves. SAM-based products now account for a significant share of our growing Words+ revenues. Since the acquisition of the Say-it! SAM technologies, we have continued to add new functionality to the SAM software and to offer it on additional hardware platforms.

During this reporting period, we completed the final design for our new PDA-based (personal digital assistant based) Say-it! SAM augmentative communication device, including a completely new PDA and a custom injection-molded case available in multiple colors. This new device includes a new audio amplifier and speaker system as well. It was demonstrated at the Closing the Gap conference in Minneapolis in October 2007 and received strong interest from those in attendance. We have now begun shipping these units after a lull of about three months in which the supply of the previous PDA was depleted, resulting in lower sales for Words+ during this reporting period.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED NOVEMBER 30, 2007 AND 2006.

The following table sets forth our consolidated statements of operations (in thousands) and the percentages that such items bear to net sales:

	Three Months Ended			
	11/30/07		11/30/06	
Net sales	$ 1,984	100%	$ 1,456	100%
Cost of sales	486	24.5	441	30.3
Gross profit	1,498	75.5	1,015	69.7
Selling, general and administrative	930	46.9	757	52.0
Research and development	226	11.4	183	12.6
Total operating expenses	1,156	58.3	940	64.6
Income from operations	342	17.2	75	5.1
Other income	63	3.2	19	1.3
Net income before taxes	405	20.4	94	6.4
(Provision for) income taxes	(162)	(8.2)	(21)	(1.4)
Net income	$ 243	12.3%	$ 73	5.0%

NET SALES

Our consolidated net sales increased $527,000, or 36.2%, to $1,984,000 in the first fiscal quarter of 2008 (1QFY08) from $1,456,000 in the first fiscal quarter of 2007 (1QFY07). Sales from pharmaceutical software and services increased approximately $614,000, or 74.5%; and our Words+, Inc. subsidiary's sales decreased approximately $87,000, or 13.8%, for the quarter. We attribute the increase in pharmaceutical software sales primarily to a large order that came in during the first quarter this year that had been received in the second fiscal quarter of last fiscal year, as well as new customers and for new modules and additional licenses to renewal customers. Revenues from contract services also increased in 1QFY08 compared with 1QFY07. Because of this large order in November, the accounts receivable balance at November 30, 2007 increased significantly.

We attribute the decrease in Words+ sales primarily to a decrease in sales of the PDA version of our "Say-it! SAM" speech output device. Our inventory of the discontinued previous PDA was depleted during the previous quarter, resulting in an inability to accept orders for these units until the new device was close to production. These units have now started to ship in quantity as of December 2007 and the product is receiving excellent feedback from those who have received them. Although revenues from our "Freedom" products increased, some declines in sales of other products outweighed this increase.

COST OF SALES

Consolidated cost of sales increased $45,000, or 10.1%, to $486,000 in 1QFY08 from $441,000 in 1QFY07; however, the percentage of cost of sales in 1QFY08 decreased 5.8% to 24.5% from 30.3% in 1QFY07. For Simulations Plus, cost of sales increased $71,000, or 60.7%; however, as a percentage of revenue, cost of sales decreased to 13.1% in 1QFY08 from 14.2% in 1QFY07. A significant portion of cost of sales for pharmaceutical software products is the systematic amortization of capitalized software development costs, which is an independent fixed cost rather than a variable cost related to sales. This amortization cost increased as more new products became available for sale, by approximately

$26,000, or 33.0%, in 1QFY08 compared with 1QFY07. Another significant portion of cost of sales is Royalty expense, which is determined by the revenues generated from GastroPlus basic program without modules. Royalty expense increased approximately $44,000, or 120.7%, in 1QFY08 compared with 1QFY07 due to growth in GastroPlus license sales.

For Words+, cost of sales decreased $26,000, or 8.1%; however, as a percentage, cost of sales increased 3.4% between the first fiscal quarter of FY08 and FY07. We attribute the percentage increase in cost of sales for Words+ primarily to the special discount provided for the dealer demo units on new "Say-it! SAM" units, lower total revenues for the quarter, and shipping material cost increases.

GROSS PROFIT

Consolidated gross profit increased $483,000, or 47.6%, to $1,498,000 in 1QFY08 from $1,015,000 in 1QFY07. We attribute this increase to the increase in sales of pharmaceutical software, contract studies, which outweighed decrease in Word+ gross profit.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Consolidated selling, general and administrative (SG&A) expenses increased $173,000, or 22.9%, to $930,000 in 1QFY08 from $757,000 in 1QFY07. For Simulations Plus, SG&A increased $114,000, or 25.8%. As a percentage of sales, SG&A decreased to approximately 38.5% in 1QFY08 from approximately 53.3% in 1QFY07. The major increases in SG&A expenses were travel, trade shows, investor relations, accrued bonus to a Secretary, professional fees, salaries and payroll-related expenses such as health insurance, 401K and payroll taxes, which outweighed decreases in commission expense and equipment rentals.

For Words+, SG&A expenses increased $60,000, or 18.9%, due primarily to increases in travel, trade shows, bad debts, marketing consultant fees and salaries. These increases outweighed decreases in commissions, telephone and supplies.

RESEARCH AND DEVELOPMENT

We incurred approximately $400,000 of research and development costs for both companies during the 1QFY08. Of this amount, $174,000 was capitalized and $226,000 was expensed. In 1QFY07, we incurred $317,000 of research and development costs, of which $134,000 was capitalized and $183,000 was expensed. The increase of $83,000, or 26.2%, in total research and development expenditures from the 1QFY07 to the 1QFY08 was due primarily to increases in salaries because of new hires and salary increases to existing staff.

OTHER INCOME (EXPENSE)

Net other income (expense) in 1QFY08 increased by $44, 000, or 231.3%, to $63, 000 in 1QFY08 from $19,000 in 1QFY07. This is due primarily to increased interest revenue from Money Market accounts.

PROVISION FOR INCOME TAXES

The provision for income taxes increased by $141,000, or 685.3%, to $162,000 in 1QFY08 from $21,000 in 1QFY07 due to higher income. The expiration of the Extraterritorial Income Exclusion resulted in an increase of our overall combined tax rate. In addition, Congress did not extend the Research and Development Tax Credit, which expired on December 31, 2007. As a result, we are projecting a tax rate of 40% going forward. However, there is a bill, H.R. 2138, currently under consideration by the House of Representatives, which would extend the Research and Development Tax Credit permanently. If this bill passes, we will re-evaluate our enacted tax rates at that time to determine if a change in our estimated tax rate is necessary.

NET INCOME

Consolidated net income increased by $170,000, or 234.4%, to $243,000 in 1QFY08 from $73,000 in 1QFY07. We attribute this increase in profit primarily to the increases in revenue from pharmaceutical software and services and other income, which outweighed increases in cost of sales, selling, and general and administrative expenses, research and development expenses, provision for income taxes and the net loss from Words+ operations.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of capital have been cash flows from our operations. We have achieved continuous positive operating cash flow in the last six fiscal years. We believe that our existing capital and anticipated funds from operations will be sufficient to meet our anticipated cash needs for working

capital and capital expenditures for the foreseeable future. Thereafter, if cash generated from operations is insufficient to satisfy our capital requirements, we may open a revolving line of credit with a bank, or we may have to sell additional equity or debt securities or obtain expanded credit facilities. In the event such financing is needed in the future, there can be no assurance that such financing will be available to us, or, if available, that it will be in amounts and on terms acceptable to us. If cash flows from operations became insufficient to continue operations at the current level, and if no additional financing was obtained, then management would restructure the Company in a way to preserve its pharmaceutical and disability businesses while maintaining expenses within operating cash flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our risk from exposure to financial markets is limited to foreign exchange variances and fluctuations in interest rates. We may be subject to some foreign exchange risks. Most of our business transactions are in U.S. dollars, although we generate significant revenues from customers overseas. The exception is that we were compensated in Japanese yen by some Japanese customers and one European customer. As a result, we experienced a small gain from currency exchange in the first three months of FY08. In the future, if foreign currency transactions increase significantly, then we may mitigate this effect through foreign currency forward contracts whose market-to-market gains or losses are recorded in "Other Income or expense" at the time of the transaction. To date, exchange rate exposure has not resulted in a material impact.

Item 4. Controls and Procedures

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.
As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in the Company's periodic SEC filings.

(b) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING.
There were no changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 6, 2006, we received notice from a liquidator for the former French subsidiary of Bioreason (Bioreason SARL), saying that the liquidator had initiated legal action against Simulations Plus in the French courts with respect to ClassPharmer distribution rights to European customers, and is

claiming commissions and legal fees with respect to European customers. We have been working through our U.S. attorneys and a law firm in Paris. We have filed a counterclaim for our rights and lost sales against Bioreason SARL's assets by sending a debt recovery declaration to the liquidator on June 15, 2006.

On May 23, 2007, we received an e-mail from our French Lawyer that we had received a proposal for an amicable settlement, in which we would give up our claims if Bioreason SARL would agree to waive any claims against Simulations Plus. This proposal was accepted by phone by the lawyer of Bioreason SARL, and we signed the agreement which was submitted to the French court.

On July 13, 2007, we received another e-mail from our French Lawyer that the agent in charge of the liquidation of Bioreason SARL requested the hearing to be postponed until October 11, 2007, and her request was accepted by the French supervisory judge.

On October 31, our French Lawyer informed us that the hearing was again postponed until November 2007.

As of today, we are still waiting for the approval of the settlement agreement from the commercial division of French Ordinary Court.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on form 8-K

(a) Exhibits:

31.1-2	Certification of Chief Executive Officer and Chief Financial Officer
32	Certification pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

In accordance with Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Lancaster, State of California, on January 11, 2008.

Simulations Plus, Inc.

Date: January 11, 2008 By: /s/ MOMOKO BERAN

Momoko Beran
Chief Financial Officer