

Company Registration No. 1458176 (England and Wales)

MPSI SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



MPSI SYSTEMS LIMITED

COMPANY INFORMATION

Directors	B D Porto R Harper
Secretary	L K Wells
Company number	1458176
Registered office	19B Osprey Court Hawkfield Business Park Whitchurch Bristol BS14 0BB
Auditors	Houghton Stone The Conifers Filton Road Hambrook Bristol BS16 1QG

MPSI SYSTEMS LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

MPSI SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities

The principal activity of the company continued to be consultancy services and marketing decision support systems.

Directors

The following directors have held office since 1 January 2005:

B D Porto
R Harper

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
B D Porto	-	-
R Harper	-	-

The directors of MPSI Systems Limited have the following interests in MPSI Systems Inc., the ultimate parent undertaking.

	Ordinary shares of £1 each	
	31 December 2005	1 January 2005
BD Porto	39	39
R Harper	10496	10496

MPSI SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Houghton Stone be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors 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 directors are 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

By order of the board



.....
L K Wells
Secretary
.....

MPSI SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MPSI SYSTEMS LIMITED

We have audited the financial statements of MPSI Systems Limited for the year ended 31 December 2005 set out on pages 5 to 10. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 auditors' 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 directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (*United Kingdom Generally Accepted Accounting Practice*).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' 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 directors 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard - Provisions Available for Small Entities, in the circumstances set out in note 13 to the financial statements.

MPSI SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MPSI SYSTEMS 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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Houghton Stone

Houghton Stone

.....27/11/06

Registered Auditor

The Conifers
Filton Road
Hambrook
Bristol
BS16 1QG

MPSI SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005	2004
	Notes	£	£
Turnover	2	445,783	273,164
Cost of sales		(239,955)	(188,790)
Gross profit		205,828	84,374
Administrative expenses		(260,570)	(346,744)
Other operating income		-	913
Operating loss	3	(54,742)	(261,457)
Other interest receivable and similar income		147	136
Interest payable and similar charges		87	(81)
Loss on ordinary activities before taxation		(54,508)	(261,402)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	10	(54,508)	(261,402)

MPSI SYSTEMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	5		11,409		828
Current assets					
Stocks		-		1,027	
Debtors	6	413,055		511,102	
Cash at bank and in hand		185		185	
		413,240		512,314	
Creditors: amounts falling due within one year	7	(71,001)		(104,986)	
Net current assets			342,239		407,328
Total assets less current liabilities			353,648		408,156
Capital and reserves					
Called up share capital	9	4,061,973		4,061,973	
Profit and loss account	10	(3,708,325)		(3,653,817)	
Shareholders' funds			353,648		408,156

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 June 2002).

The financial statements were approved by the Board on 19 APRIL 2006

B D Porto
Director

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2005).

1.2 Turnover

Revenue on survey projects is recognised on a percentage completion basis using sites surveyed as the key variable. The amounts recoverable on the long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

1.3 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:

Plant and machinery	2 to 5 years
Fixtures, fittings & equipment	2 to 5 years

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock and work in progress

Long term contract balances which are included in stocks are stated at net cost, less foreseeable losses and payments on account.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with the Financial Reporting Standard for Smaller Entities.

1.7 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.

2 Turnover

In the year to 31 December 2005 95.00% (2004 - 67.00%) of the company's turnover was to markets outside the United Kingdom.

3 Operating loss

	2005	2004
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	1,659	265
Auditors' remuneration	7,500	7,500

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

4 Taxation

The company has estimated losses of £ 3,933,403 (2004: £ 3,852,314) available for carry forward against future trading profits.

On the basis of these financial statements no provision has been made for corporation tax.

5 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2005	49,129
Additions	12,240
	<hr/>
At 31 December 2005	61,369
	<hr/>
Depreciation	
At 1 January 2005	48,301
Charge for the year	1,659
	<hr/>
At 31 December 2005	49,960
	<hr/>
Net book value	
At 31 December 2005	11,409
	<hr/>
At 31 December 2004	828
	<hr/>

6 Debtors	2005 £	2004 £
Trade debtors	106,812	100,868
Amounts owed by group undertakings and undertakings in which the company has a participating interest	221,356	405,163
Amounts recoverable on long term contracts	73,194	1,451
Other debtors	11,693	3,620
	<hr/>	<hr/>
	413,055	511,102
	<hr/>	<hr/>

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7 Creditors: amounts falling due within one year	2005	2004
	£	£
Bank loans and overdrafts	9,506	23,625
Trade creditors	2,318	43,861
Taxation and social security	6,821	6,544
Payments received on account	-	19,845
Other creditors	52,356	11,111
	<u>71,001</u>	<u>104,986</u>

8 Pension costs

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 and amounted to £9,172 (2004- £9,509). Contributions totalling £773 (2004- £1,868) were payable to the fund at the year end and are included in creditors.

Defined contribution

	2005	2004
	£	£
Contributions payable by the company for the year	<u>9,172</u>	<u>9,509</u>

9 Share capital	2005	2004
	£	£
Authorised		
10,000,000 Ordinary shares of £1 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
4,061,973 Ordinary shares of £1 each	<u>4,061,973</u>	<u>4,061,973</u>

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	(3,653,817)
Retained loss for the year	<u>(54,508)</u>
Balance at 31 December 2005	<u>(3,708,325)</u>

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

11 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	2005 £	2004 £
Operating leases which expire:		
Within one year	2,440	39,690
Between two and five years	18,427	7,810
	<u>20,867</u>	<u>47,500</u>

12 Capital commitments

There were no capital commitments at 31 December 2005 (2004 - £Nil).

13 Auditors' Ethical Standards

The relevant circumstances requiring disclosure in accordance with the requirements of APB Ethical Standard - Provisions Available for Small Entities are:

In common with many businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

In common with many other businesses of our size and nature we use our auditors to provide tax advice and to represent us, as necessary, at tax tribunals.

14 Control

The ultimate parent company is MPSI Systems Inc., a company which is incorporated in the USA.

MPSI Systems Inc. prepares group financial statements and copies can be obtained from - 4343 South, 118 East Avenue, Tulsa, Oklahoma 74146, USA.

15 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

16 Fundamental uncertainty

These accounts have been prepared on a going concern basis. The suitability of this depends upon the continued financial support of the parent undertaking, MPSI Systems Inc.