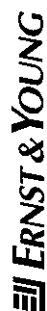


MPSI Systems Limited and its subsidiaries

Report and Accounts

30 September 1994

Registered Number - 1458176

 **ERNST & YOUNG**



MPSI Systems Limited & its Subsidiaries

DIRECTOR

M R Davis

SECRETARY

K Lock

AUDITORS

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

MPSI Systems Limited & its Subsidiaries

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report, together with the accounts for the year ended 30 September 1994.

RESULTS AND DIVIDENDS

The trading loss for the year, after taxation of £414,165 (1993 - £679,043) was transferred to reserves. The directors do not recommend the payment of a dividend.

BUSINESS REVIEW

The principal activity of the group is marketing decision support systems and related consultancy services to the downstream petroleum sector. MPSI's proprietary computer applications software, databases and associated services are used, primarily, by petroleum companies in the retail sector for network planning and site performance optimisation.

The petroleum based market in Europe continued to be difficult throughout 1994 with the oil companies continuing to downsize, restrict capital investment and hold back budget expenditure. However, the improvements in the economic and political situation in South Africa during 1994 has provided some encouragement for MPSI activities in the area and the first models of the new Capital Planning (CAPS) system in the Region were delivered in South Africa in 1994.

In addition, during 1994, MPSI delivered a Government Services version of the new CAPS system to a client in Scandinavia.

Throughout 1994, MPSI Systems maintained the organisation structure and tight control over costs initiated in the second half of the previous year.

FUTURE DEVELOPMENTS

MPSI's family of products addressing the short, medium and long term planning issues facing the petroleum companies will be largely in place in 1994. The use of PC technology for client access to the MPSI product range will continue to be developed and improved through 1995 and the first integrated Capital Planning (CAPS) system including shop and car wash activity will be delivered in Europe in 1995.

Quest Systems International, the MPSI Inc. subsidiary company focusing on the data collection aspects will be active in Europe in 1995 using current technology and communication systems to significantly improve the data collection process required by the MPSI product range.

FIXED ASSETS

Changes in fixed assets are included in note 8 to the accounts.

DIRECTORS

R Somers (USA) served as a director until his resignation on 4 March 1994. A W Renshaw was appointed a director on 1 October 1993 and resigned on 25 January 1995. On 4 March 1994 M R Davis was appointed a director. No director had an interest in the shares of MPSI Systems Limited or its subsidiaries during the year.

MPSI Systems Limited & its Subsidiaries

REPORT OF THE DIRECTORS

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Ernst & Young as auditors of the group is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Secretary

[Signature]

28 Apr 95

MPSI Systems Limited and its Subsidiaries

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 to enable them to ensure that the accounts comply with the Companies Act. 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.

REPORT OF THE AUDITORS

to the members of MPSI Systems Limited and its subsidiaries

We have audited the accounts on pages 7 to 19 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

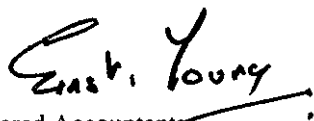
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30 September 1994 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants

Registered Auditor

Bristol

Date

3 May 1995.

MPSI Systems Limited & its Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 September 1994

	Notes	1994 £	1993 £
TURNOVER	2	1,118,836	2,224,785
Cost of sales		1,022,257	1,361,205
		<u>96,579</u>	<u>863,580</u>
GROSS PROFIT		548,818	1,580,069
Administrative expenses		(452,239)	(716,489)
		<u>44,809</u>	<u>61,135</u>
Other operating income			
OPERATING (LOSS)	3	(407,430)	(655,354)
Bank and other interest receivable	5	1,356	2,247
Interest payable	5	(186)	(271)
		<u>(406,260)</u>	<u>(653,378)</u>
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on loss on ordinary activities	6	(7,905)	(25,665)
		<u>(414,165)</u>	<u>(679,043)</u>
RETAINED (LOSS) FOR YEAR TRANSFERRED TO RESERVES	16		

All results arise from continuing activities.

MPSI Systems Limited & its Subsidiaries

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 September 1994

	1994 £	1993 £
Loss attributable to members of the parent company	(414,165)	(679,043)
Exchange difference on retranslation of net assets of subsidiary undertakings	2,161	1,613
Total recognised gains and losses relating to the year	<u>(412,004)</u>	<u>(677,430)</u>

MPSI Systems Limited & its Subsidiaries

CONSOLIDATED BALANCE SHEET

at 30 September 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	8	26,911	29,380
CURRENT ASSETS			
Stocks	10	14,575	5,569
Debtors	11	2,123,998	2,652,561
Cash at bank and in hand		27,280	9,029
		<u>2,165,853</u>	<u>2,667,159</u>
CREDITORS: amounts falling due within one year	13	<u>(483,659)</u>	<u>(4,637,303)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,682,194</u>	<u>(1,970,144)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,709,105</u>	<u>(1,940,764)</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,061,973	100
Profit and loss account	16	(2,352,868)	(1,940,864)
		<u>1,709,105</u>	<u>(1,940,764)</u>

ERNST & YOUNG

Mark Robert Davis
28 April 1995

)
) Director
)


MPSI Systems Limited & its Subsidiaries

COMPANY BALANCE SHEET

at 30 September 1993

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	8	24,387	24,478
Investments	9	16,978	16,978
		<u>41,365</u>	<u>41,456</u>
CURRENT ASSETS			
Stocks	10	14,575	5,569
Debtors	11	2,119,534	2,614,977
Cash at bank and in hand		25,335	7,103
		<u>2,159,444</u>	<u>2,627,649</u>
CREDITORS: amounts falling due within one year	13	(659,599)	(4,767,887)
NET CURRENT ASSETS/(LIABILITIES)		<u>1,499,845</u>	<u>(2,140,238)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,541,210</u>	<u>(2,098,782)</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,061,973	100
Profit and loss account	16	(2,520,763)	(2,098,882)
		<u>1,541,210</u>	<u>(2,098,782)</u>

ERNST & YOUNG


 28 April 1995)
) Director
)

MPSI Systems Limited & its Subsidiaries

STATEMENT OF CASH FLOWS

for the year ended 30 September 1994

	<i>Notes</i>	<i>1994</i> £	<i>1993</i> £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	3 (b)	(4,026,564)	29,672
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,356	2,247
Interest paid		(186)	(271)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		1,170	1,976
TAXATION			
Overseas tax paid		(7,982)	(35,225)
TAX PAID		(7,982)	(35,225)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(11,549)	(5,281)
Receipts from sales of tangible fixed assets		1,303	1,234
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(10,246)	(4,047)
NET CASH (OUTFLOW) BEFORE FINANCING		(4,043,622)	(7,624)
FINANCING			
Issue of ordinary share capital		(4,061,873)	-
NET CASH INFLOW FROM FINANCING		(4,061,873)	-
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12	18,251	(7,624)
		(4,043,622)	(7,624)

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of MPSI Systems Limited and all its subsidiary undertakings drawn up to 30 September each year. Intra-group transactions have been eliminated on consolidation.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life as follows:

Computer equipment, office equipment and leasehold improvements	2 to 5 years
Furniture and fittings	3 to 8 years
Motor vehicles	4 years

Stocks

All stock is work in progress and is valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and overheads attributable to specific jobs. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

When the outcome of a project is known with some degree of certainty, attributable profit is recognised in the year to which the work relates. If a foreseeable loss is predicted, then the whole of the loss is provided for.

Research and development

Pure and applied research expenditure is written off as incurred. Development expenditure relating to commercially viable projects is recharged to the parent company.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that tax will be payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the end of the month in which the transaction occurred. The assets and liabilities of overseas subsidiaries denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to reserves.

Operating leases

Rentals paid under operating leases are charged to income in the year to which they relate.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

2. TURNOVER

Turnover represents the amounts derived from the provision of services which fall within the group's ordinary activities, stated net of value added tax. The analysis of turnover by geographical area is as follows:

	1994	1993
	£	£
Geographical area:		
United Kingdom	369,740	887,972
Rest of Europe	749,096	1,336,813
	<u>1,118,836</u>	<u>2,224,785</u>

3. OPERATING LOSS

(a) This is stated after charging/(crediting):

	1994	1993
	£	£
Auditors' remuneration	9,000	13,000
Depreciation of owned assets	12,938	68,506
Operating lease rentals - plant and machinery	51,159	85,531
Operating lease rentals - land and buildings	83,613	172,746
Research expenditure written off	-	-
Profit on disposal of fixed assets	(146)	(1,234)
	<u>1994</u>	<u>1993</u>
	£	£
<i>Directors' remuneration:</i>		
Other emoluments (including pension contributions)	41,637	30,601
Emoluments (excluding pension contributions) of the chairman	-	-
Emoluments (excluding pension contributions) of the highest paid director	39,645	30,601

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1994	1993
	No.	No.
£Nil - £ 5,000	1	-
£30,001 - £35,000	-	1
£35,001 - £40,000	1	-

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

3. OPERATING LOSS (continued)

(b) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities:

	1994	1993
	£	£
Operating (loss)	(407,430)	(655,354)
Depreciation	12,938	68,506
(Profit) on disposal of tangible fixed assets	(146)	(1,234)
Exchange differences	2,161	1,613
Decrease in debtors	528,563	957,241
(Increase)/decrease in stocks	(9,006)	14,631
(Decrease) in creditors	(4,153,644)	(355,731)
Net cash inflow/(outflow) from operating activities	<u>(4,026,564)</u>	<u>29,672</u>

4. STAFF COSTS

	1994	1993
	£	£
Wages and salaries	532,749	783,227
Social security costs	77,095	106,717
Other pension costs	17,373	23,564
	<u>627,217</u>	<u>913,508</u>

The average weekly number of employees during the year was made up as follows:

	1994	1993
	No.	No.
Production	16	20
Marketing	3	11
Administration	8	10
	<u>27</u>	<u>41</u>

Of the number in marketing, 1 (1993 - 5) was employed by subsidiary undertakings.

5. INTEREST RECEIVABLE AND PAYABLE

	1994	1993
	£	£
<i>Interest receivable</i>		
Bank and other interest receivable	1,356	2,247
<i>Interest payable</i>		
Bank loans and overdrafts and other loans wholly repayable within five years	<u>186</u>	<u>271</u>

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

6. TAX ON LOSS ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1994	1993
	£	£
Based on the loss for the year:		
Overseas taxation	7,905	25,665
Prior year adjustment	-	-
	<u>7,905</u>	<u>25,665</u>

Unutilised trading losses carried forward at 30 September 1994 amounted to £2,809,360 (1993 £2,392,937). No provision for deferred taxation is required.

7. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The parent undertaking has taken advantage of the dispensation given by S230 of the Companies Act 1985 not to publish its own profit and loss account. The loss dealt with in the accounts of the parent undertaking is £421,881 (1993 - £701,659 loss).

8. TANGIBLE FIXED ASSETS

Group	Furniture and office equipment £	Computer equipment £	Leasehold improvements £	Total £
Cost:				
At 1 October 1993	259,895	1,003,018	47,289	1,310,202
Exchange adjustment	-	336	-	336
Additions	-	11,549	-	11,549
Disposals	(32,332)	-	-	(32,332)
At 30 September 1994	<u>227,563</u>	<u>1,014,903</u>	<u>47,289</u>	<u>1,289,755</u>
Depreciation:				
At 1 October 1993	252,840	980,693	47,289	1,280,822
Exchange adjustment	-	259	-	259
Provided during the year	2,524	10,414	-	12,938
Disposals	(31,175)	-	-	(31,175)
At 30 September 1994	<u>224,189</u>	<u>991,366</u>	<u>47,289</u>	<u>1,262,844</u>
Net book value:				
At 30 September 1994	<u>3,374</u>	<u>23,537</u>	<u>-</u>	<u>26,911</u>
At 1 October 1993	<u>7,055</u>	<u>22,325</u>	<u>-</u>	<u>29,380</u>

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

8. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Furniture and office equipment £</i>	<i>Computer equipment £</i>	<i>Leasehold improvements £</i>	<i>Total £</i>
Cost:				
At 1 October 1993	258,551	987,441	47,289	1,293,281
Additions	-	11,549	-	11,549
Disposals	(30,988)	-	-	(30,988)
At 30 September 1994	227,563	998,990	47,289	1,273,842
Depreciation:				
At 1 October 1993	252,840	968,674	47,289	1,268,803
Provided during the year	2,336	9,303	-	11,639
Disposals	(30,987)	-	-	(30,987)
At 30 September 1994	224,189	977,977	47,289	1,249,455
Net book value:				
At 30 September 1994	3,374	21,013	-	24,387
At 1 October 1993	5,711	18,767	-	24,478

9. INVESTMENTS

<i>Company</i>	<i>Subsidiary undertakings £</i>
Cost:	
At 1 October 1993 and 30 September 1994	16,978

The parent undertaking holds equity of the following companies:

<i>Name of Company</i>	<i>Country of registration (or incorporation)</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Subsidiary undertakings:				
MPSI Systems GmbH	Germany	Ordinary shares	100%	Marketing
MPSI Systems SARL	France	Ordinary shares	100%	Marketing

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

10. STOCKS

	1994	Group 1993	1994	Company 1993
	£	£	£	£
Work in progress	<u>14,575</u>	<u>5,569</u>	<u>14,575</u>	<u>5,569</u>

The difference between the purchase price or production cost of work in progress and the replacement cost is not material.

11. DEBTORS

	1994	Group 1993	1994	Company 1993
	£	£	£	£
Trade debtors	85,730	242,180	84,994	242,180
Amounts owed by parent and fellow subsidiary undertakings	1,936,428	2,294,997	1,936,428	2,294,997
Amounts owed by subsidiary undertakings	-	-	4,001	-
Sundry debtors and prepayments	101,840	115,384	94,111	77,800
	<u>2,123,998</u>	<u>2,652,561</u>	<u>2,119,534</u>	<u>2,614,977</u>

12. CASH AND CASH EQUIVALENTS

	1994 £	1993 £	Change in year £
Cash at bank and in hand	27,280	9,029	18,251
Bank overdraft	-	-	-
	<u>27,280</u>	<u>9,029</u>	<u>18,251</u>

	1993 £	1992 £	Change in year £
Cash at bank and in hand	9,029	19,215	(10,186)
Bank overdraft	-	(2,562)	2,562
	<u>9,029</u>	<u>16,653</u>	<u>(7,624)</u>

	1994 £	1993 £
Balance at 1 October	9,029	16,653
Net cash inflow/(outflow)	18,251	(7,624)
At 30 September	<u>27,280</u>	<u>9,029</u>

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

13. CREDITORS: amounts falling due within one year

	1994	Group 1993	1994	Company 1993
	£	£	£	£
Payments received on account	65,137	171,804	65,137	171,804
Amounts due to parent and fellow subsidiary undertakings	146,759	4,061,873	146,759	4,061,873
Amounts due to subsidiary undertakings	-	-	188,537	148,373
Trade creditors	138,033	240,683	138,033	230,339
Current corporation tax	-	-	-	-
Other taxes & social security costs	23,822	819	12,788	819
Other creditors and accruals	109,908	162,124	108,345	154,679
	<u>483,659</u>	<u>4,637,303</u>	<u>659,599</u>	<u>4,767,887</u>

14. OBLIGATIONS UNDER LEASES

Annual commitments under non-cancellable operating leases are as follows:

Group & Company	1994	1993
	Land and buildings	Land and buildings
	£	£
Operating leases which expire:		
Within one year	-	-
Between two and five years	105,088	35,219
	<u>105,088</u>	<u>35,219</u>

The majority of leases for land and buildings are subject to rent reviews.

15. SHARE CAPITAL

	1994	Authorised 1993	Allotted, called up and fully paid 1994	1993
	£	£	£	£
Ordinary shares of £1 each	<u>10,000,000</u>	<u>100</u>	<u>4,061,973</u>	<u>100</u>

On 13 September 1994 4,061,873 ordinary shares of £1 each, with an aggregate nominal value of £4,061,873, were issued fully paid for cash at par in order to strengthen the capital base of the company.

MPSI Systems Limited & its Subsidiaries

NOTES TO THE ACCOUNTS

at 30 September 1994

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Group Total £	Share capital £	Profit and loss account £	Company Total £
At 1 October 1992	100	(1,263,434)	(1,263,334)	100	(1,397,223)	(1,397,123)
(Loss) for the year	-	(679,043)	(679,043)	-	(701,659)	(701,659)
Exchange differences on retranslation of subsidiaries	-	1,613	1,613	-	-	-
At 30 September 1993	100	(1,940,864)	(1,940,764)	100	(2,098,882)	(2,098,782)
(Loss) for the year	-	(414,165)	(414,165)	-	(421,881)	(421,881)
Exchange differences on retranslation of subsidiaries	-	2,161	2,161	-	-	-
New shares issued	4,061,873	-	4,061,873	4,061,873	-	4,061,873
	<u>4,061,973</u>	<u>(2,352,868)</u>	<u>1,709,105</u>	<u>4,061,973</u>	<u>(2,520,763)</u>	<u>1,541,210</u>

17. CAPITAL COMMITMENTS

There were no capital commitments at 30 September 1994 (1993 - £Nil).

18. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for all staff. 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 scheme and amounted to £17,373 (1993 - £23,565). No amounts were due to or from the scheme at the year end.

19. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is MPSI Systems Inc., which is incorporated in the USA.