

Company Registration No. 1458176 (England and Wales)

MPSI SYSTEMS LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004



MPSI SYSTEMS LIMITED

COMPANY INFORMATION

Directors	B D Porto R Harper
Secretary	L K Wells
Company number	1458176
Registered office	Castlemead Lower Castle Street Bristol BS1 3AG
Auditors	Houghton Stone The Conifers Filton Road Hambrook Bristol BS16 1QG

MPSI SYSTEMS LIMITED

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MPSI SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and financial statements for the year ended 31 December 2004.

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 2004:

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 2004	1 January 2004
B D Porto	-	-
R Harper	-	-

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

	Ordinary shares of £1 each	
	31 December 2004	1 January 2004
BD Porto	39	4,057
R Harper	10,496	1,072,471

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.

MPSI SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

Directors' responsibilities

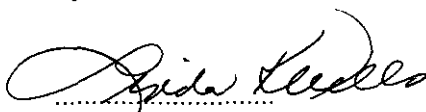
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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 to 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.

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

5 April 2005

MPSI SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MPSI SYSTEMS LIMITED

We have audited the financial statements of MPSI Systems Limited on pages 4 to 9 for the year ended 31 December 2004. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of the 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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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, 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 United Kingdom 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 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

19/11/05

Registered Auditor

The Conifers
Filton Road
Hambrook
Bristol
BS16 1QG

MPSI SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
Turnover	2	273,164	358,794
Cost of sales		(188,790)	(134,828)
Gross profit		84,374	223,966
Administrative expenses		(346,744)	(327,848)
Other operating income		913	-
Operating loss	3	(261,457)	(103,882)
Other interest receivable and similar income		136	384
Interest payable and similar charges		(81)	-
Loss on ordinary activities before taxation		(261,402)	(103,498)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	10	(261,402)	(103,498)

MPSI SYSTEMS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Notes	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	5		828		299
Current assets					
Stocks		1,027		-	
Debtors	6	511,102		706,319	
Cash at bank and in hand		185		273	
		<u>512,314</u>		<u>706,592</u>	
Creditors: amounts falling due within one year	7	<u>(104,986)</u>		<u>(37,333)</u>	
Net current assets			<u>407,328</u>		<u>669,259</u>
Total assets less current liabilities			<u>408,156</u>		<u>669,558</u>
Capital and reserves					
Called up share capital	9	4,061,973		4,061,973	
Profit and loss account	10	(3,653,817)		(3,392,415)	
Shareholders' funds			<u>408,156</u>		<u>669,558</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 5 April 2005


B D Porto
Director

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 2002).

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised in the profit and loss account only when the company has met its contractual obligations and has therefore earned the right to the consideration.

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
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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 Long term contracts

Amounts recoverable on 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.

1.7 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.

1.8 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 2004 67.00% (2003- 79.00%) of the company's turnover was to markets outside the United Kingdom.

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

3	Operating loss	2004 £	2003 £
	Operating loss is stated after charging:		
	Depreciation of tangible assets	265	1,086
	Auditors' remuneration	7,000	7,000
		<u> </u>	<u> </u>
4	Taxation		
	Current tax charge	<u> </u>	<u> </u>
		-	-

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 2004	48,335
	Additions	794
		<u> </u>
	At 31 December 2004	49,129
	Depreciation	
	At 1 January 2004	48,036
	Charge for the year	265
		<u> </u>
	At 31 December 2004	48,301
	Net book value	
	At 31 December 2004	<u> </u> 828
	At 31 December 2003	<u> </u> 299

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

6 Debtors	2004 £	2003 £
Trade debtors	100,868	91,425
Amounts owed by group undertakings and undertakings in which the company has a participating interest	405,163	609,954
Amounts recoverable on long term contracts	1,451	-
Other debtors	3,620	4,940
	<u>511,102</u>	<u>706,319</u>

7 Creditors: amounts falling due within one year	2004 £	2003 £
Bank loans and overdrafts	23,625	9,578
Trade creditors	43,861	1,447
Taxation and social security	6,544	6,694
Payments received on account	19,845	-
Other creditors	11,111	19,614
	<u>104,986</u>	<u>37,333</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 £12,196 (2003- £12,736). Contributions totalling £1,868 (2003- £518) were payable to the fund at the year end and are included in creditors.

9 Share capital	2004 £	2003 £
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>

MPSI SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2004

10 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2004	(3,392,415)
Retained loss for the year	(261,402)
	<u> </u>
Balance at 31 December 2004	<u>(3,653,817)</u>

11 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	2004 £	2003 £
Expiry date:		
Within one year	39,690	-
Between two and five years	7,810	56,963
	<u>47,500</u>	<u>56,963</u>

12 Capital commitments

There were no capital commitments at 31 December 2004 (2003 - £Nil).

13 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.

14 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.

15 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.