Oxford Analytica Limited

Financial statements

For the year ended 31 December 2005

Company No. 1196703

Company information

Company registration number	1196703
Registered office	5 Alfred Street OXFORD OX1 4EH
Directors	D R Young J W Wood S K Young R H Briance
Secretary	E A Backhouse
Bankers	Barclays Bank plc 11 West Way OXFORD OX2 0XP
Solicitors	Manches LLP 9400 Garsington Road Oxford Business Park OXFORD OX4 2HN
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors 1 Westminster Way OXFORD OX2 0PZ

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Report of the directors

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

Principal activities and business review

The company is engaged in providing business and government leaders with timely and authoritative analysis of the significance and implications of world events by drawing on the scholarship of Oxford University and other major universities and institutions throughout the world. This is achieved by undertaking consultancy and research projects on specific events at the request of clients and by selling a daily commentary on significant world events ("Daily Brief").

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company during the year were as follows:

D R Young
J W Wood
S K Young
K C Leaman
R H Briance
M Bates

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

R H Briance was appointed as a director on 14 March 2005.
M Bates was appointed as a director on 14 March 2005.

K C Leaman retired as a director on 14 March 2005.
M Bates retired as a director on 12 December 2005.

Directors' responsibilities

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

United Kingdom 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 year. 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 that 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.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditor in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

E A Backhouse
Secretary
8 March 2006

Report of the independent auditor to the members of Oxford Analytica Limited

We have audited the financial statements of Oxford Analytica Limited for the year ended 31 December 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 20. These financial statements have been prepared under 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 directors and auditor

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the report of the directors 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 other transactions is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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.

Report of the independent auditor to the members of Oxford Analytica Limited (continued)

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter - going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in the basis of accounting section of the principal accounting policies to the financial statements concerning the company's ability to continue as a going concern. The company generated a net profit of £31,468 during the year ended 31 December 2005 but the company's current liabilities exceeded its current assets by £816,243, with an overall balance sheet deficit of £600,145. These conditions indicate the existence of uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

OXFORD
8 March 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

After losses in previous years the company's balance sheet continues to show net liabilities. This raises doubt about the company's ability to continue as a going concern. Management has achieved net profit of £31,468 in the year and continues to implement an on-going plan of operational improvement and believes that this will contribute toward both continuing revenue and profit growth. Current liabilities include £1,237,671 (of the total of £1,383,821 deferred revenue), deferred revenue related to Daily Brief subscriptions paid in advance by clients but which are non-refundable in any event other than the discontinuance of the company. Excluding deferred revenue related to Daily Brief subscription contracts the company is in a net current asset position of £421,428, which facilitates the on-going ability of the company to comfortably meet its liabilities as they fall due.

The directors are aware of the financial position of the company and have carefully considered the prospects for the business over the next few years. The directors are satisfied that it is appropriate to prepare the accounts on a going concern basis and are confident of the future success of the business. The accompanying financial statements do not include any adjustments that might be necessary if the company is unable to continue as a going concern.

The principal accounting policies of the company have remained unchanged from the prior period with the exception of barter transactions, further details are provided below.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding value added tax.

Subscription income

Revenue from subscription income is recognised on a straight line basis over the length of the subscription. Deferred income represents the element of subscriptions income relating to future accounting periods.

Consultancy income

In the case of consultancy and research contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	-	2%
Fixtures and fittings	-	20%
Motor vehicles	-	20%
Computer equipment	-	20%

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Barter transactions

The company has continued to enter into barter transactions during the period in which Daily Brief services and conference sponsorship are provided in return for sales and marketing related services (including advertising and membership fees).

In a change in accounting policy in order to bring the company in line with it's fellow subsidiary company, Oxford Analytica Incorporated, barter transactions are now recorded as revenue at an amount equal to the estimated fair value of the services received or of the publication provided, depending on which is more clearly evident. A corresponding amount is recorded as a cost of revenue when the services received are consumed. The lower of the estimated fair value of the services received or the estimated fair value of the subscription/sponsorship was £71,000 in 2005 (2004: £71,000).

Revenues and the equivalent cost of services received, from barter transaction, have not previously been recognised in the financial statements but the directors do not consider this change in accounting policy to have a material impact on the results of the prior year and as a result no restatement of comparatives has been considered necessary.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	**4,809,323**	4,752,585
Cost of sales		**3,769,147**	3,458,117
Gross profit		**1,040,176**	1,294,468
Other operating charges	2	**992,054**	1,032,245
Operating profit	3	**48,122**	262,223
Interest payable and similar charges	6	**16,654**	16,334
Profit on ordinary activities before taxation		**31,468**	245,889
Tax on profit on ordinary activities	7	**–**	–
Retained profit for the financial year	17	**31,468**	245,889

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	**543,355**	564,662
Current assets			
Debtors	9	**1,179,478**	1,133,592
Cash at bank and in hand		–	37,743
		1,179,478	1,171,335
Creditors: amounts falling due within one year	10	**1,995,721**	2,028,395
Net current liabilities		**(816,243)**	(857,060)
Total assets less current liabilities		**(272,888)**	(292,398)
Creditors: amounts falling due after more than one year	11	**327,257**	339,215
		(600,145)	(631,613)
Capital and reserves			
Called-up equity share capital	16	**100**	100
Profit and loss account	17	**(600,245)**	(631,713)
Deficit	17	**(600,145)**	(631,613)

These financial statements were approved by the directors on 8 March 2006 and are signed on their behalf by:

D R Young
Director

Notes to the financial statements

1 Turnover

	2005	2004
	£	£
Europe	**1,824,076**	1,754,315
North America	**2,433,153**	2,492,116
Rest of the world	**552,094**	506,154
	4,809,323	4,752,585

2 Other operating charges

	2005	2004
	£	£
Administrative expenses	**992,054**	1,032,245

3 Operating profit

Operating profit is stated after charging/(crediting):

	2005	2004
	£	£
Depreciation of owned fixed assets	**50,454**	69,071
Depreciation of assets held under finance leases and hire purchase agreements	**4,189**	–
Loss on disposal of fixed assets	**347**	–
Auditor's remuneration:		
Audit fees	**14,730**	13,020
Tax compliance	**3,800**	3,730
Operating lease costs:		
Land and buildings	**14,564**	6,974
Net (profit)/loss on foreign currency translation	**(7,182)**	27,675

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005 No	2004 No
Administrative staff	38	36
Management staff	3	5
	41	41

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	1,598,975	1,509,970
Social security costs	163,069	170,473
Other pension costs	54,569	51,023
	1,816,613	1,731,466

5 Directors

Remuneration in respect of directors was as follows:

	2005 £	2004 £
Emoluments receivable	162,040	76,482

6 Interest payable and similar charges

	2005 £	2004 £
Interest payable on bank borrowing	15,636	16,334
Finance charges	1,018	–
	16,654	16,334

7 Taxation on ordinary activities

Unrelieved tax losses of approximately £590,000 (2004: £675,000) remain available to offset against future taxable trading profits.

7 Taxation on ordinary activities (continued)

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2004 - 19%).

	2005	2004
	£	£
Profit on ordinary activities before taxation	**31,468**	245,889
Profit on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom	**5,979**	46,719
Expenses not deductible for tax purposes	**7,334**	2,056
Capital allowances for period in excess of depreciation	**2,778**	3,006
Utilisation of tax losses	**(16,091)**	(51,781)
Total current tax	**-**	-

8 Tangible fixed assets

	Freehold property	Fixtures and fittings	Motor vehicles	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2005	532,203	17,523	14,539	221,312	785,577
Additions	–	–	25,135	8,547	33,682
Disposals	–	–	(1,600)	–	(1,600)
At 31 December 2005	532,203	17,523	38,074	229,859	817,659
Depreciation					
At 1 January 2005	53,220	11,567	14,193	141,935	220,915
Charge for the year	10,644	3,164	4,189	36,646	54,643
On disposals	–	–	(1,254)	–	(1,254)
At 31 December 2005	63,864	14,731	17,128	178,581	274,304
Net book value					
At 31 December 2005	**468,339**	**2,792**	**20,946**	**51,278**	**543,355**
At 31 December 2004	478,983	5,956	346	79,377	564,662

Included within the net book value of £543,355 is £20,946 (2004 - £Nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £4,189 (2004 - £Nil).

9 Debtors

	2005	2004
	£	£
Trade debtors	**924,414**	933,456
Other debtors	**101,421**	83,293
Prepayments and accrued income	**153,643**	116,843
	1,179,478	1,133,592

10 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank loan and overdrafts	**272,189**	30,000
Trade creditors	**160,879**	211,037
PAYE and social security	**63,669**	58,972
VAT	**5,816**	–
Amounts due under finance leases and hire purchase agreements	**4,927**	–
Other creditors	**31,619**	38,771
Accruals and deferred income	**1,456,622**	1,689,615
	1,995,721	2,028,395

11 Creditors: amounts falling due after more than one year

	2005	2004
	£	£
Bank loan	**112,500**	142,500
Amounts owed to group undertakings	**199,155**	196,715
Amounts due under finance leases and hire purchase agreements	**15,602**	–
	327,257	339,215

12 Bank borrowing

The bank loan and overdraft are secured by a legal charge over the freehold property, land owned by two of the directors and life policies of three key employees.

	2005	2004
	£	£
Amounts repayable:		
In one year or less or on demand	**30,000**	30,000
In more than one year but not more than two years	**30,000**	30,000
In more than two years but not more than five years	**82,500**	90,000
In more than five years	**–**	22,500
	142,500	172,500

13 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2005	2004
	£	£
Amounts payable within one year	4,927	-
Amounts payable between two to five years	15,602	-
	20,529	-

14 Derivatives

The directors have confirmed that the company have no derivatives as at 31 December 2005 or 31 December 2004.

15 Related party transactions

During the year the company entered into transactions with eStandardsforum.com Inc, a company of which Dr D R Young is a director, and of which The Oxford Analytica International Group Incorporated is a 20% shareholder. Licence fees totalling £54,924 (2004: £54,604) were paid to eStandardsforum.com Incorporated.

Oxford Analytica Incorporated, a group company, has guaranteed the bank borrowings of Oxford Analytica Limited up to a maximum of £300,000 (2004: £300,000).

16 Share capital

Authorised share capital:

	2005	2004
	£	£
100 Ordinary shares of £1 each	100	100

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	100	100	100	100

17 Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total share-holders' funds
	£	£	£
At 1 January 2004	100	(877,602)	(877,502)
Retained profit for the year	–	245,889	245,889
At 31 December 2004 and 1 January 2005	100	(631,713)	(631,613)
Retained profit for the year	–	31,468	31,468
At 31 December 2005	100	(600,245)	(600,145)

18 Capital commitments

There were no capital commitments at 31 December 2005 or 31 December 2004.

19 Contingent liabilities

There were no contingent liabilities at 31 December 2005 or 31 December 2004.

20 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is The Oxford Analytica International Group Incorporated, incorporated in the state of Delaware, USA.

Dr D R Young, a director of the company, is this company's controlling related party by virtue of his majority shareholding in The Oxford Analytica International Group Incorporated.

The largest group of undertakings for which group accounts have been drawn up is that headed by The Oxford Analytica International Group Incorporated, incorporated in the state of Delaware, USA.