Oxford Analytica Limited

Financial statements

For the year ended 31 December 2006

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Company No. 1196703

Company information

Company registration number	1196703
Registered office	5 Alfred Street OXFORD OX1 4EH
Directors	D R Young S K Young R H Briance D J Pitt-Watson
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 2006

Principal activities

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 projects on specific issues at the request of clients and by selling a daily commentary on significant world events ("Daily Brief"), together with other products and services

Directors

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

D R Young
J W Wood (resigned 20 March 2006)
S K Young
R H Briance
D J Pitt-Watson (appointed 20 March 2006)

D R Young controls 936,321 shares in The Oxford Analytica International Group Inc None of the other directors control any shares in the parent company

Directors' responsibilities

The directors are responsible for preparing the Financial Statements and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 these 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditor

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

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985

BY ORDER OF THE BOARD

E A Backhouse
Secretary
8 March 2007

Grant Thornton

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 2006 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 21 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 whether in our opinion the information given in the Report of the Directors is consistent with the financial statements

In addition we report to you if, in our opinion, 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 the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it

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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors' is consistent with the financial statements

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 £199 896 during the year ended 31 December 2006 but the company's current liabilities exceeded its current assets by £717,471, with a deficit of £400,249 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 2007

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 be in deficit This raises doubt about the company's ability to continue as a going concern Management has achieved net profit of £199,896 in the year Current liabilities of £2,121,159 include £1,394,436 (of the total of £1,546,193 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 subscriptions, the company is in a net current asset position of £676,965, 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

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 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

Conference Income

Revenue from conferences represents income generated by the Oxford Analytica International Conference held annually at Oxford University

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	-	50 years
Fixtures and fittings	-	5 years
Motor vehicles	-	5 years
Computer equipment	-	5 years

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

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term

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 on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date

Foreign currencies

Monetary 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 engages in barter transactions in which it exchanges the "Daily Brief" publication for services Barter transactions are recorded as revenue at an amount equal to the estimated fair value of the services received or of the publicity 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 total amount recorded for barter transactions within the financial statements for the year ended 31 December 2006 was £71,000 and £71,000 for the year ended 31 December 2005

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

Derivative instruments

The company uses foreign exchange forward contracts to manage foreign currency exposures

Forward contracts are not revalued to fair value or shown on the group balance sheet at the year end If they are terminated early, the gain or loss is spread over the remaining maturity of the original instrument

Profit and loss account

	Note	2006 £	2005 £
Turnover	1	**5,505,370**	4,809,323
Cost of sales		**4,029,896**	3,769 147
Gross profit		**1,475,474**	1,040,176
Other operating charges	2	**1,257,774**	992,054
Operating profit	3	**217,700**	48,122
Interest payable and similar charges	6	**17,804**	16,654
Profit on ordinary activities before taxation		**199,896**	31,468
Tax on profit on ordinary activities	7	**-**	–
Profit for the financial year	17	**199,896**	31,468

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	2006 £	2005 £
Fixed assets			
Tangible assets	8	**653,938**	543,355
Current assets			
Debtors	9	**1,400,880**	1,179,478
Cash in hand		**2,808**	–
		1,403,688	1,179,478
Creditors: amounts falling due within one year	10	**2,121,159**	1.995 721
Net current liabilities		**(717,471)**	(816,243)
Total assets less current liabilities		**(63,533)**	(272,888)
Creditors: amounts falling due after more than one year	11	**336,716**	327,257
		(400,249)	(600,145)
Capital and reserves			
Called-up equity share capital	16	**100**	100
Profit and loss account	17	**(400,349)**	(600.245)
Deficit	17	**(400,249)**	(600,145)

These financial statements were approved by the directors on 8 March 2007 and are signed on their behalf by

D R Young
Director

The accompanying accounting policies and notes form part of these financial statements

Notes to the financial statements

1 Turnover

	2006 £	2005 £
Europe	**2,044,988**	1,824,076
North America	**2,641,192**	2 433,153
Rest of the world	**819,190**	552,094
	5,505,370	4,809,323

2 Other operating charges

	2006 £	2005 £
Administrative expenses	**1,257,774**	992,054

3 Operating profit

Operating profit is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of owned fixed assets	**40,563**	50,454
Depreciation of assets held under finance leases and hire purchase agreements	**5,028**	4,189
(Profit)/loss on disposal of fixed assets	**(110)**	347
Auditor's remuneration		
Audit fees	**15,200**	14,730
Tax	**3,900**	3,800
Operating lease costs		
Other	**30,657**	14,564
Net loss/(profit) on foreign currency translation	**95,198**	(7,182)

4 Directors and employees

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

	2006	2005
	No	No
Administrative staff	37	38
Management staff	3	3
	40	41

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	1,696,794	1,598,975
Social security costs	172,710	163,069
Other pension costs	44,274	54,569
	1,913,778	1,816,613

5 Directors

Remuneration in respect of directors was as follows

	2006	2005
	£	£
Emoluments receivable	35,433	162,040

6 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	16,822	15,636
Finance charges	982	1,018
	17,804	16,654

7 Taxation on ordinary activities

Unrelieved tax losses of approximately £371,000 (2005 £590,000) 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% (2005 - 19%)

	2006	2005
	£	£
Profit on ordinary activities before taxation	**199,896**	31,468
Profit on ordinary activities by rate of tax	**37,980**	5,979
Expenses not deductible for tax purposes	**5,049**	7,334
Capital allowances for period in excess of depreciation	**(7,960)**	2,778
Utilisation of tax losses	**(35,069)**	(16,091)
Total current tax	**-**	-

8 Tangible fixed assets

	Freehold property	**Fixtures and fittings**	**Motor vehicles**	**Computer equipment**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
At 1 January 2006	532,203	17,523	38,074	229,859	817,659
Additions	–	144,153	–	12,959	157,112
Disposals	–	–	–	(1,286)	(1,286)
At 31 December 2006	532,203	161,676	38,074	241,532	973,485
Depreciation					
At 1 January 2006	63,864	14,731	17,128	178,581	274,304
Charge for the year	10,644	7,297	5,027	22,623	45,591
On disposals	–	–	–	(348)	(348)
At 31 December 2006	74,508	22,028	22,155	200,856	319,547
Net book value					
At 31 December 2006	**457,695**	**139,648**	**15,919**	**40,676**	**653,938**
At 31 December 2005	468,339	2,792	20,946	51,278	543,355

Included within the net book value of £653,938 is £15,919 (2005 - £20,946) 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 £5,028 (2005 - £4,189)

9 Debtors

	2006 £	2005 £
Trade debtors	**1,044,634**	924,414
VAT recoverable	**8,370**	–
Other debtors	**112,095**	101,421
Prepayments and accrued income	**235,781**	153,643
	1,400,880	1,179,478

10 Creditors amounts falling due within one year

	2006 £	2005 £
Bank loan and overdraft	**96,755**	272,189
Trade creditors	**258,719**	160,879
PAYE and social security	**44,265**	63,669
VAT	**–**	5,816
Amounts due under finance leases and hire purchase agreements	**4,927**	4,927
Other creditors	**24,792**	31,619
Accruals and deferred income	**1,691,701**	1,456,622
	2,121,159	1,995,721

11 Creditors amounts falling due after more than one year

	2006 £	2005 £
Bank loans and overdrafts	**82,500**	112,500
Amounts owed to group undertakings	**243,952**	199,155
Amounts due under finance leases and hire purchase agreements	**10,264**	15,602
	336,716	327,257

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

12 Bank borrowing

	2006 £	2005 £
Amounts repayable		
In one year or less or on demand	**96,755**	272,189
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	**52,500**	82,500
	179,255	384,689

13 Commitments under finance leases and hire purchase agreements

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

	2006 £	2005 £
Amounts payable within one year	**4,927**	4,927
Amounts payable between two to five years	**10,264**	15,602
	15,191	20,529

14 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2006 £	2005 £
Operating leases which expire		
Within two to five years	**51,282**	-

15 Related party transactions

Oxford Analytica Inc, a group company, has guaranteed the bank borrowings of Oxford Analytica Limited up to a maximum of £300,000 (2005 £300,000)

16 Share capital

Authorised share capital

	2006 £	2005 £
100 Ordinary shares of £1 each	**100**	100

Allotted, called up and fully paid

	2006 No	£	2005 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 shareholders' funds
	£	£	£
At 1 January 2005	100	(631,713)	(631,613)
Profit for the year	–	31,468	31,468
At 31 December 2005 and 1 January 2006	100	(600,245)	(600,145)
Profit for the year	–	199,896	199,896
At 31 December 2006	100	(400,349)	(400,249)

18 Capital commitments

There were no capital commitments at 31 December 2006 or 31 December 2005

19 Contingent liabilities

There were no contingent liabilities at 31 December 2006 or 31 December 2005

20 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is The Oxford Analytica International Group Inc 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 Inc

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

21 Derivatives and financial instruments

	2006		2005	
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Financial instruments held to manage currency risk				
Foreign exchange options	–	70,084	–	–

Market values have been used to determine fair values