

OXFORD ANALYTICA LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 1997

Company no 1196703

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

Company registration number: 1196703

Registered office: 5 Alfred Street
Oxford
OX1 4EH

Directors: Dr D R Young
Mr J W Wood
Mrs S K Young
Mr K C Leaman

Secretary: Mr E A Backhouse

Auditors: Grant Thornton
Registered auditors
Chartered accountants
1 Westminster Way
Oxford
OX2 0PZ

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1997

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OXFORD ANALYTICA LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1997.

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 and research projects on specific events at the request of clients and by selling a daily commentary on significant world events ("Daily Brief").

Business review

On 1 January 1997 the company took over the trade assets and liabilities of its subsidiary company Oxford Analytica Daily Brief Limited which is now dormant. Consequently, the years results are not directly comparable with the preceding years.

There was a loss for the year after taxation amounting to £128,781 (1996: profit £180,788). The directors do not recommend payment of a dividend.

Year 2000

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the year 2000. This risk to the company relates not only to the company's own computer systems, but also to some degree to other third parties that provide services to the company.

The company has reviewed and assessed the the impact of the year 2000 problem and the associated risks. As a result of this review a programme has been instigated to ensure that all systems within the company are compliant.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

None of the directors or their families had interests in the shares of the company during the year ended 31 December 1997. The interests of the directors and their families in the shares of the ultimate parent company, Oxford Analytica International Group Inc., as at 31 December 1997 and 1 January 1997 were as follows:

	Ordinary shares	
	31 December 1997	1 January 1997
Dr D R Young	804,366	804,366
Mr J W Wood	-	-
Mrs S K Young	-	-
Mr K C Leaman	-	-

OXFORD ANALYTICA LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

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:

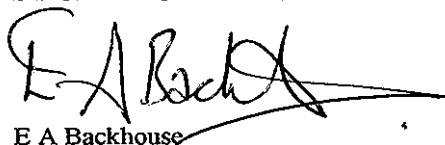
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

BY ORDER OF THE BOARD



E A Backhouse
Secretary

**REPORT OF THE AUDITORS TO THE MEMBERS OF
OXFORD ANALYTICA LIMITED**

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

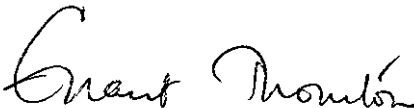
Basis of opinion

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 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

OXFORD

23 October 1998

OXFORD ANALYTICA LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover represents the contractual payment of a licence fee for the marketing rights, by Oxford Analytica Inc, another group company, with respect to the Daily Brief produced by the company.

DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets, other than freehold land and buildings, by equal annual instalments over their expected useful lives. The rates applicable are:

Motor vehicles	20%
Fixtures and fittings	20%
Computer equipment	20%

No depreciation is provided on freehold properties and it is the company's policy to maintain these assets in a continual state of sound repair. The useful economic lives of these assets are thus so long and residual values so high that any depreciation would not be material. residual prices are based on prices prevailing at the date of acquisition or subsequent valuation. Provision is made in the profit and loss account for any permanent diminuation in value.

No depreciation is provided on freehold land.

INTANGIBLE FIXED ASSETS

Purchased goodwill is eliminated from the financial statements by immediate write-off on acquisition against reserves.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the profit and loss account.

OXFORD ANALYTICA LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1997

	Note	1997 £	1996 £
Turnover	1	1,430,727	369,312
Cost of sales		<u>(941,046)</u>	<u>(3,987)</u>
Gross profit		489,681	365,325
Administrative expenses		<u>(750,734)</u>	<u>(186,075)</u>
Operating loss		(261,053)	179,250
Release of provision for deficiency of net assets in Oxford Analytica Daily Brief Limited		-	63,877
Provision against deficiency of net assets in Oxford Analytica Inc		143,416	(38,523)
Interest payable and similar charges	5	<u>(11,144)</u>	<u>(23,816)</u>
Loss on ordinary activities before taxation	1	(128,781)	180,788
Tax on loss on ordinary activities	3	-	-
Loss transferred from reserves	10	<u>(128,781)</u>	<u>180,788</u>

There were no recognised gains or losses other than the loss for the financial year.

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

OXFORD ANALYTICA LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed assets					
Tangible assets	4		665,478		681,860
Current assets					
Debtors	6	65,800		51,981	
Cash at bank and in hand		57,917		211	
		123,717		52,192	
Creditors: amounts falling due within one year	7	(760,171)		(523,695)	
Net current liabilities			(636,454)		(471,503)
Total assets less current liabilities			29,024		210,357
Creditors: amounts falling due after more than one year	8		(186,252)		(238,804)
			(157,228)		(28,447)
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account	10		(157,328)		(28,547)
Shareholders' funds	11		(157,228)		(28,447)

The financial statements were approved by the Board of Directors on *October 23, 1998*



Director

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

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after:

	1997 £	1996 £
Auditors' remuneration	12,000	3,499
Depreciation and amortisation:		
Tangible fixed assets, owned	62,467	57,937
Hire of plant and machinery	5,618	1,931
Exchange differences on foreign currency borrowings	(26,974)	(60,108)

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	1997 £	1996 £
Wages and salaries	751,007	86,491
Social security costs	72,571	8,722
Other pension costs	8,500	-
	<u>832,078</u>	<u>95,213</u>

In 1996 the company met costs of £484,495 in relation to 15 employees who carried out work solely for Oxford Analytica Daily Brief Limited, these costs were re-charged accordingly. These employees were included in the average employee numbers detailed below for 1996.

The average number of employees of the company during the year were as follows:

	1997 Number	1996 Number
Administration	33	33
Management	4	3
	<u>37</u>	<u>36</u>

Remuneration in respect of directors was as follows:

	1997 £	1996 £
Emoluments	<u>68,594</u>	<u>66,925</u>

3 TAX ON LOSS ON ORDINARY ACTIVITIES

Unrelieved tax losses of £265,000 remain available to offset against future taxable trading profits.

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

4 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 1997	510,874	18,466	162,870	194,043	886,253
Additions	-	7,150	5,136	36,197	48,483
Disposals	-	(5,995)	-	-	(5,995)
At 31 December 1997	510,874	19,621	168,006	230,240	928,741
Depreciation					
At 1 January 1997	-	15,868	88,555	99,969	204,392
Provided in the year	-	1,271	28,617	32,579	62,467
Eliminated on disposals	-	(3,596)	-	-	(3,596)
At 31 December 1997	-	13,543	117,172	132,548	263,263
Net book amount at 31 December 1997	510,874	6,078	50,834	97,692	665,478
Net book amount at 31 December 1996	510,874	2,598	74,315	94,074	681,861

The figures stated above for cost or valuation include valuations as follows:

	Freehold land and buildings	
	1997 £	1996 £
At cost	10,874	10,874
Valuation at 31 December 1994	500,000	500,000
	510,874	510,874

If the freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amount:

	Freehold land and buildings £
Cost	546,533
Net book amount at 31 December 1997	546,533

OXFORD ANALYTICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
On bank loans and overdrafts	11,144	23,816
	<u>11,144</u>	<u>23,816</u>

6 DEBTORS

	1997 £	1996 £
Amounts owed by group undertakings	39,072	143,759
Provision against amounts owed by group undertakings	2	(143,414)
Other debtors	10,500	38,417
Taxation recoverable	2,302	-
Prepayments and accrued income	13,924	13,219
	<u>65,800</u>	<u>51,981</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Bank loans and overdrafts	34,378	213,826
Trade creditors	185,852	191,037
Amounts owed to group undertakings	325,902	-
Social security and other taxes	119,231	71,948
Accruals and deferred income	94,808	46,884
	<u>760,171</u>	<u>523,695</u>

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Bank loans	<u>186,252</u>	<u>238,804</u>

The bank loans are secured by a legal charge over the freehold property.

OXFORD ANALYTICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 1997

Borrowings are repayable as follows:	1997 £	1996 £
Within one year		
Bank and other borrowings	34,378	213,826
After one and within two years		
Bank and other borrowings	35,616	36,710
After two and within five years		
Bank and other borrowings	114,727	118,740
After five years		
Bank and other borrowings	35,909	83,354
	<u>220,630</u>	<u>452,630</u>

Bank and other borrowings repayable after five years comprise:	1997 £	1996 £
Bank loans	<u>35,909</u>	<u>83,354</u>

9 SHARE CAPITAL

	1997 £	1996 £
Authorised		
1,000 Ordinary shares of 10 pence each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of 10 pence each	<u>100</u>	<u>100</u>

10 RESERVES

	Profit and loss account £
At 1 January 1997	(28,547)
Retained loss for the year	(128,781)
At 31 December 1997	<u>(157,328)</u>

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1997

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the financial year	(128,781)	180,788
Goodwill written off to reserves	-	(163,957)
Net decrease in shareholders' funds	(128,781)	16,831
Shareholders' funds at 1 January 1997	(28,447)	(45,278)
Shareholders' funds at 31 December 1997	(157,228)	(28,447)

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1997 or 31 December 1996.

13 CONTINGENT LIABILITIES

The company is currently engaged in a legal action which they are defending vigorously. The directors believe there is no merit in the claim against the company. No provision has been made in the financial statements in respect of future liabilities which might arise from this action.

14 RELATED PARTY TRANSACTIONS

During the year the company entered into a transaction with Dr D R Young, a director of the company, to rent premises used in the course of business at a rate of £8,000 (1996: £2,000). At the end of the year the full amount was outstanding.

15 ULTIMATE PARENT UNDERTAKING/CONTROLLING RELATED PARTY

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

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

OXFORD ANALYTICA LIMITED

DETAILED TRADING PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	1997 £	1997 £	1996 £	1996 £
Turnover				
Licence fee income		1,430,727		369,312
Cost of sales				
Editorial costs	356,244		2,314	
Contributor costs	397,570		1,673	
Production costs	100,562		-	
Consultancy costs	52,327		-	
Information sources	34,343		-	
		(941,046)		(3,987)
Gross profit		489,681		365,325
Administration expenses				
Rent and rates	41,292		6,130	
Insurance	11,219		2,453	
Repairs and renewals	1,505		252	
Motor and travel	26,305		9,198	
Marketing expenses	1,480		46	
Subsistence	10,167		3,247	
Entertaining	2,576		447	
Subscriptions	1,082		872	
Telephone and telex	42,050		13,882	
Print, postage and stationery	32,027		13,495	
Staff training and welfare	12,778		2,956	
Sundry	592		169	
Professional Fees	128,322		24,374	
Depreciation	53,897		55,623	
Bank charges	5,686		8,248	
Systems support software	33,187		4,704	
Salaries	327,136		85,982	
Social security costs	29,286		8,722	
Hire of equipment	12,088		2,147	
Charitable donations	1,750		-	
Directors' remuneration	2,697		509	
Exchange differences	(26,974)		(59,881)	
Delivery Costs	-		2,500	
FT TV Development costs	586		-	
		(750,734)		(186,075)
Trading loss		(261,053)		179,250
Release of provision for deficiency of net assets in Oxford Analytica Daily Brief Limited	-		(63,877)	
Increase in provision for deficiency of net assets in Oxford Analytica Inc.	(143,416)		38,523	
		143,416		25,354

THIS PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS

OXFORD ANALYTICA LIMITED

DETAILED TRADING PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	1997 £	1997 £	1996 £	1996 £
Interest				
Interest payable	<u>11,144</u>		<u>23,816</u>	
		<u>(11,144)</u>		<u>(23,816)</u>
Net loss for the year before taxation		<u><u>(128,781)</u></u>		<u><u>180,788</u></u>

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