

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2001



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Company no 1196703

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2001

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 2001

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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 2001.

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

Under the terms of a marketing agreement with Oxford Analytica Inc. ("OAI") dated 31 July 1987 and as amended on 21 December 1998 and 13 April 1993, OAI was granted the exclusive right to distribute the market of the products and services of the company worldwide.

For the year ended 31 December 2000 the OAI reviewed its transfer pricing policies and made an adjustment to better reflect the risks and functions it undertakes.

From 2001 the marketing agreement between the company and OAI has been amended to reflect the fact that OAI is essentially the service provider for the group.

There was a profit for the year after taxation amounting to £130,264 (2000: profit £46,883). The directors do not recommend payment of a dividend.

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 2001. 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 2001 and 1 January 2001 were as follows:

	Ordinary shares	
	31 December 2001	1 January 2001
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:

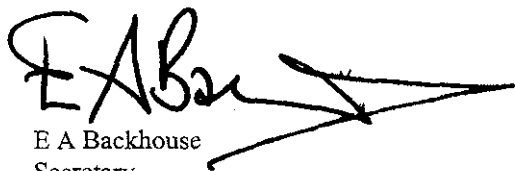
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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
5 March 2002

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

We have audited the financial statements of Oxford Analytica Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and notes 1 to 15 on pages 4 to 11. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 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 other information contained in the directors' report, 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 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

OXFORD
5 March 2002

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 company is dependent on the continued support of Oxford Analytica International Group Inc, the ultimate parent undertaking, and Oxford Analytica Inc, a group company. The directors are of the opinion that this support will continue in the foreseeable future and have thus prepared financial statements on the going concern basis.

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

TURNOVER

Turnover represents the receipts from sales of the Daily Brief produced by the company.

TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Freehold buildings	2%
Motor vehicles	20%
Fixtures and fittings	20%
Computer equipment	20%

No depreciation is provided on freehold land.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

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.

CASH FLOW STATEMENT

The company is exempt from the preparation of a cash flow statement as it is a wholly owned subsidiary.

OXFORD ANALYTICA LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2001

	Note	2001 £	2000 £
Turnover	1	5,093,123	2,546,503
Cost of sales		<u>(3,515,588)</u>	<u>(1,421,772)</u>
Gross profit		1,577,535	1,124,731
Administrative expenses		<u>(1,418,145)</u>	<u>(1,042,585)</u>
Operating profit		159,390	82,146
Interest payable and similar charges	2	<u>(29,126)</u>	<u>(35,263)</u>
Profit on ordinary activities before taxation	1	130,264	46,883
Tax on profit on ordinary activities	3	<u>-</u>	<u>-</u>
Profit transferred to reserves	10	<u>130,264</u>	<u>46,883</u>

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

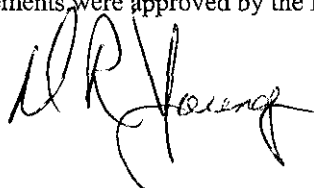
The accompanying accounting policies and notes form an integral part of these financial statements.

OXFORD ANALYTICA LIMITED
BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	5		733,599		709,536
Current assets					
Debtors	6	1,339,139		72,310	
Cash at bank and in hand		16,654		22,185	
		1,355,793		94,495	
Creditors: amounts falling due within one year	7	(2,500,325)		(498,628)	
Net current liabilities			(1,144,532)		(404,133)
Total assets less current liabilities			(410,933)		305,403
Creditors: amounts falling due after more than one year	8		(409,344)		(1,255,944)
			(820,277)		(950,541)
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account	10		(820,377)		(950,641)
Shareholders' funds	11		(820,277)		(950,541)

The financial statements were approved by the Board of Directors on 5 March 2002.

D R Young



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 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:

	2001 £	2000 £
Auditors' remuneration	10,000	8,600
Depreciation and amortisation:		
Tangible fixed assets, owned	94,410	79,985
Hire of plant and machinery	17,883	10,338

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
On bank loans and overdrafts	29,126	35,263

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

Unrelieved tax losses of approximately £950,000 remain available to offset against future taxable trading profits.

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	2000 £
Wages and salaries	1,568,226	1,141,666
Social security costs	169,699	107,173
Other pension costs	25,743	12,489
	1,763,668	1,261,328

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

	2001 Number	2000 Number
Administration	54	44
Management	2	2
	56	46

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Emoluments	<u>72,332</u>	<u>65,386</u>

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2001	532,203	12,939	225,951	408,342	1,179,435
Additions	-	1,600	7,506	101,155	110,261
Transfers from group undertakings	-	-	-	8,212	8,212
At 31 December 2001	<u>532,203</u>	<u>14,539</u>	<u>233,457</u>	<u>517,709</u>	<u>1,297,908</u>
Depreciation					
At 1 January 2001	10,644	7,389	192,936	258,930	469,899
Provided in the year	10,644	2,881	13,809	67,076	94,410
At 31 December 2001	<u>21,288</u>	<u>10,270</u>	<u>206,745</u>	<u>326,006</u>	<u>564,309</u>
Net book amount at 31 December 2001	<u>510,915</u>	<u>4,269</u>	<u>26,712</u>	<u>191,703</u>	<u>733,599</u>
Net book amount at 31 December 2000	<u>521,559</u>	<u>5,550</u>	<u>33,015</u>	<u>149,412</u>	<u>709,536</u>

6 DEBTORS

	2001 £	2000 £
Trade debtors	1,168,042	-
Amounts owed by group undertakings	343	343
Other debtors	78,280	40,697
Prepayments and accrued income	<u>92,474</u>	<u>31,270</u>
	<u>1,339,139</u>	<u>72,310</u>

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	333,892	200,200
Trade creditors	190,935	135,329
Social security and other taxes	55,206	43,841
Other creditors	38,748	3,941
Accruals and deferred income	1,876,533	115,317
Amounts due under finance leases	5,011	-
	<u>2,500,325</u>	<u>498,628</u>

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

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Bank loans	282,218	367,533
Amounts owed to group companies	127,126	888,411
	<u>409,344</u>	<u>1,255,944</u>

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

Borrowings are repayable as follows:

	2001 £	2000 £
Within one year		
Bank and other borrowings	333,892	200,200
Finance leases	5,011	-
After one and within two years		
Bank and other borrowings	79,718	77,698
After two and within five years		
Bank and other borrowings	90,000	147,335
After five years		
Bank and other borrowings	112,500	142,500
	<u>621,121</u>	<u>567,733</u>

Bank and other borrowings repayable after five years comprise:

	2001 £	2000 £
Bank loans	<u>112,500</u>	<u>142,500</u>

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

For the year ended 31 December 2001

9 SHARE CAPITAL

	2001 £	2000 £
Authorised 1,000 Ordinary shares of 10 pence each	<u>100</u>	<u>100</u>
Alotted, 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 2001	(950,641)
Profit for the year	<u>130,264</u>
At 31 December 2001	<u>(820,377)</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	<u>130,264</u>	<u>46,883</u>
Net increase in shareholders' funds	<u>130,264</u>	<u>46,883</u>
Shareholders' funds at 1 January 2001	<u>(950,541)</u>	<u>(997,424)</u>
Shareholders' funds at 31 December 2001	<u>(820,277)</u>	<u>(950,541)</u>

12 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2000 or 31 December 2001.

13 CONTINGENT ASSETS/ LIABILITIES

There were no contingent assets or liabilities at 31 December 2000 or 31 December 2001.

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2001

14 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.

15 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 (2000: £8,000). At the end of the year £6,000 (2000: £6,000) was outstanding.

Oxford Analytica Inc., a group company, has guaranteed the bank borrowings of Oxford Analytica Limited up to a maximum of £300,000 (2000: £300,000).