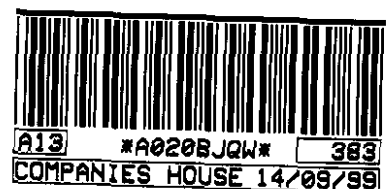


OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998



Company no 1196703

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1998

Company registration number: 1196703

Registered office: 5 Alfred Street
Oxford
OX1 4EH

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

Secretary: 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 1998

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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 1998.

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

There was a loss for the year after taxation amounting to £375,364 (1997: loss £128,781). 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 1998. 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 1998 and 1 January 1998 were as follows:

	Ordinary shares	
	31 December 1998	1 January 1998
Dr D R Young	804,366	804,366
J W Wood	-	-
Mrs S K Young	-	-
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:

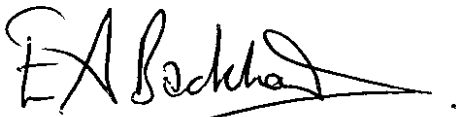
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the 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 1998 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

22 March 1999

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 diminution in value.

No depreciation is provided on freehold land.

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 1998

	Note	1998 £	1997 £
Turnover	1	1,493,351	1,430,727
Cost of sales		(1,061,684)	(941,046)
Gross profit		431,667	489,681
Administrative expenses		(797,188)	(750,734)
Operating loss		(365,521)	(261,053)
Provision against deficiency of net assets in Oxford Analytica Inc		-	143,416
Interest payable and similar charges	3	(9,843)	(11,144)
Loss on ordinary activities before taxation	1	(375,364)	(128,781)
Tax on loss on ordinary activities	4	-	-
Loss transferred from reserves	10	(375,364)	(128,781)

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 1998

	Note	1998 £	1998 £	1997 £	1997 £
Fixed assets					
Tangible assets	5		685,783		665,478
Current assets					
Debtors	6	96,344		65,800	
Cash at bank and in hand		31,112		57,917	
		127,456		123,717	
Creditors: amounts falling due within one year	7	(1,166,553)		(760,171)	
Net current liabilities			(1,039,097)		(636,454)
Total assets less current liabilities			(353,314)		29,024
Creditors: amounts falling due after more than one year	8		(179,278)		(186,252)
			(532,592)		(157,228)
Capital and reserves					
Called up share capital	9		100		100
Profit and loss account	10		(532,692)		(157,328)
Shareholders' funds - equity	11		(532,592)		(157,228)

The financial statements were approved by the Board of Directors on

HR Young Director
17 March 1999

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 1998

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after:	1998 £	1997 £
Auditors' remuneration	8,800	12,000
Depreciation and amortisation:		
Tangible fixed assets, owned	69,680	62,467
Hire of plant and machinery	7,440	5,618

2 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	1998 £	1997 £
Wages and salaries	779,169	751,007
Social security costs	85,848	72,571
Other pension costs	8,802	8,500
	873,819	832,078

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

	1998 Number	1997 Number
Administration	39	33
Management	2	4
	41	37

Remuneration in respect of directors was as follows:

	1998 £	1997 £
Emoluments	67,001	68,594

3 INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts	9,843	11,144

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

For the year ended 31 December 1998

4 TAX ON LOSS ON ORDINARY ACTIVITIES

Unrelieved tax losses of £641,000 remain available to offset against future taxable trading profits.

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation					
At 1 January 1998	510,874	19,621	168,006	230,240	928,741
Additions	21,329	-	52,986	15,670	89,985
Depreciation					
At 1 January 1998	-	13,543	117,172	132,548	263,263
Provided in the year	-	1,430	33,827	34,423	69,680
Net book amount at 31 December 1998	532,203	4,648	69,993	78,939	685,783
Net book amount at 31 December 1997	510,874	6,078	50,834	97,692	665,478

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

	Freehold land and buildings	
	1998 £	1997 £
At cost	32,203	10,874
Valuation at 31 December 1994	500,000	500,000
	532,203	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 1998	546,533

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

For the year ended 31 December 1998

6 DEBTORS

	1998 £	1997 £
Amounts owed by group undertakings	47,737	39,072
Other debtors	17,862	10,502
Taxation recoverable	-	2,302
Prepayments and accrued income	30,745	13,924
	<u>96,344</u>	<u>65,800</u>

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank loans and overdrafts	48,058	34,378
Trade creditors	264,379	185,852
Amounts owed to group undertakings	707,561	325,902
Social security and other taxes	44,549	119,231
Accruals and deferred income	102,006	94,808
	<u>1,166,553</u>	<u>760,171</u>

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Bank loans	<u>179,278</u>	<u>186,252</u>

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

Borrowings are repayable as follows:

	1998 £	1997 £
Within one year	48,058	34,378
Within one year		
Bank and other borrowings	48,058	34,378
After one and within two years		
Bank and other borrowings	49,800	35,616
After two and within five years		
Bank and other borrowings	129,478	114,727
After five years		
Bank and other borrowings	-	35,909
	<u>227,336</u>	<u>220,630</u>

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

For the year ended 31 December 1998

Bank and other borrowings repayable after five years comprise:	1998 £	1997 £
Bank loans	-	35,909

9 SHARE CAPITAL

	1998 £	1997 £
Authorised 1,000 Ordinary shares of 10 pence each	100	100
Allotted, called up and fully paid 1,000 Ordinary shares of 10 pence each	100	100

10 RESERVES

	Profit and loss account £
At 1 January 1998	(157,328)
Loss for the year	(375,364)
At 31 December 1998	(532,692)

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Loss for the financial year	(375,364)	(128,781)
Net decrease in shareholders' funds	(375,364)	(128,781)
Shareholders' funds at 1 January 1998	(157,228)	(28,447)
Shareholders' funds at 31 December 1998	(532,592)	(157,228)

12 CAPITAL COMMITMENTS

At year end the company was committed to a contract for the expansion of its computer system of £10,000. A further £90,000 expenditure on this expansion was authorised by the directors but not yet contracted for at year end.

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

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 (1997: £8,000) per year. At the end of the year the full amount was outstanding.

15 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 1998

	1998 £	1998 £	1997 £	1997 £
Turnover				
Licence fee income		1,493,351		1,430,727
Cost of sales				
Editorial costs	418,883		356,244	
Contributor costs	426,848		397,570	
Production costs	153,745		100,562	
Consultancy costs	20,776		52,327	
Information sources	41,432		34,343	
		(1,061,684)		(941,046)
Gross profit		431,667		489,681
Administration expenses				
Rent and rates	40,968		41,292	
Insurance	11,588		11,219	
Repairs and renewals	132		1,505	
Motor and travel	13,608		26,305	
Marketing expenses	963		1,480	
Subsistence	9,205		10,167	
Entertaining	674		2,576	
Subscriptions	1,270		1,082	
Telephone and telex	37,432		42,050	
Print, postage and stationery	40,815		32,027	
Staff training and welfare	12,948		12,778	
Sundry	5,680		592	
Professional Fees	138,083		128,322	
Depreciation	59,211		53,897	
Bank charges	5,086		5,686	
Systems support software	19,557		33,187	
Salaries	312,990		327,136	
Social security costs	31,518		29,286	
Hire of equipment	13,750		12,088	
Charitable donations	4,674		1,750	
Directors' remuneration	2,863		2,697	
Exchange differences	34,023		(26,974)	
FT TV Development costs	10		586	
		(797,048)		(750,734)
Trading loss		(365,381)		(261,053)
Increase in provision for deficiency of net assets in Oxford Analytica Inc.	-		(143,416)	
		-		143,416

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 1998

	1998 £	1998 £	1997 £	1997 £
Interest				
Interest payable	9,843		11,144	
		(9,843)		(11,144)
Net loss for the year before taxation		(375,224)		(128,781)

THIS PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS