

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002



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Company no 1196703

OXFORD ANALYTICA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2002

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 2002

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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 2002.

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"), OAI was granted the exclusive right to distribute the market of the products and services of the company worldwide.

There was a profit for the year after taxation amounting to £21,120 (2001: profit £130,264). 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 2002. 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 2002 and 1 January 2002 were as follows:

| | Ordinary shares | |
|---------------|------------------|----------------|
| | 31 December 2002 | 1 January 2002 |
| Dr D R Young | 804,366 | 804,366 |
| Mr J W Wood | - | - |
| Mrs S K Young | - | - |
| Mr K C Leaman | - | - |

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.

OXFORD ANALYTICA LIMITED

REPORT OF THE DIRECTORS

Auditors

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

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'E A Backhouse', with a long horizontal stroke extending to the right.

E A Backhouse
Secretary
14 March 2003

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 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 15. 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 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.

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

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 2002 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
14 March 2003

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. Except for adoption of FRS 19 Deferred Taxation.

TURNOVER

Turnover represents sales of the Daily Brief produced by the company, and consultancy and research work. In addition, turnover also includes attendees' fees from Oxford Analytica's International Annual Conference, held in the UK.

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.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group 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 date.

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.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

OXFORD ANALYTICA LIMITED

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

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.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

CASH FLOW STATEMENT

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

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).

Revenues and the equivalent cost of services received, from barter transactions, are not recognised in the financial statements. However, the lower of the estimated fair value of the services received or the estimated fair value of the Subscription/Sponsorship was \$324,100 in 2002 (\$311,600 in 2001).

OXFORD ANALYTICA LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2002

| | Note | 2002 £ | 2001 £ |
|---|------|-------------|-------------|
| Turnover | 1 | 4,641,020 | 5,093,123 |
| Cost of sales | | (3,074,191) | (3,515,588) |
| Gross profit | | 1,566,829 | 1,577,535 |
| Administrative expenses | | (1,531,170) | (1,418,145) |
| Operating profit | | 35,659 | 159,390 |
| Interest payable and similar charges | 2 | (14,539) | (29,126) |
| Profit on ordinary activities before taxation | 1 | 21,120 | 130,264 |
| Tax on profit on ordinary activities | 3 | - | - |
| Profit transferred to reserves | 10 | 21,120 | 130,264 |

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

OXFORD ANALYTICA LIMITED

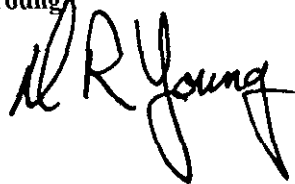
BALANCE SHEET AT 31 DECEMBER 2002

| | Note | 2002 £ | 2002 £ | 2001 £ | 2001 £ |
|--|------|-------------|-------------|-------------|-------------|
| Fixed assets | | | | | |
| Tangible assets | 5 | | 663,753 | | 733,599 |
| Current assets | | | | | |
| Debtors | 6 | 894,716 | | 1,339,139 | |
| Cash at bank and in hand | | 68,822 | | 16,654 | |
| | | 963,538 | | 1,355,793 | |
| Creditors: amounts falling due within one year | 7 | (2,017,542) | | (2,500,325) | |
| Net current liabilities | | | (1,054,004) | | (1,144,532) |
| Total assets less current liabilities | | | (390,251) | | (410,933) |
| Creditors: amounts falling due after more than one year | 8 | | (408,906) | | (409,344) |
| | | | (799,157) | | (820,277) |
| Capital and reserves | | | | | |
| Called up share capital | 9 | | 100 | | 100 |
| Profit and loss account | 10 | | (799,257) | | (820,377) |
| Shareholders' funds | 11 | | (799,157) | | (820,277) |

The financial statements were approved by the Board of Directors on 14 March 2003.

D R Young

Director



OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

An analysis of turnover by geographical market is given below:

| | 2002 £ | 2001 £ |
|-------------------|------------------|------------------|
| Europe | 1,308,660 | 1,532,822 |
| North America | 2,857,805 | 2,902,421 |
| Rest of the world | 474,555 | 657,880 |
| | <u>4,641,020</u> | <u>5,093,123</u> |

The profit on ordinary activities is stated after:

| | 2002 £ | 2001 £ |
|--------------------------------|---------------|---------------|
| Auditors' remuneration | 12,000 | 10,000 |
| Depreciation and amortisation: | | |
| Tangible fixed assets, owned | 87,888 | 94,410 |
| Hire of plant and machinery | <u>16,490</u> | <u>17,883</u> |

INTEREST PAYABLE AND SIMILAR CHARGES

| | 2002 £ | 2001 £ |
|------------------------------|---------------|---------------|
| On bank loans and overdrafts | <u>14,539</u> | <u>29,126</u> |

TAX ON PROFIT ON ORDINARY ACTIVITIES

Unrelieved tax losses of approximately £920,000 (2001: £950,000) remain available to offset against future taxable trading profits.

DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

| | 2002 £ | 2001 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,532,703 | 1,568,226 |
| Social security costs | 165,424 | 169,699 |
| Other pension costs | 40,543 | 25,743 |
| | <u>1,738,670</u> | <u>1,763,668</u> |

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

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

| | 2002 Number | 2001 Number |
|----------------|----------------|----------------|
| Administration | 52 | 54 |
| Management | 2 | 2 |
| | <u>54</u> | <u>56</u> |

Remuneration in respect of directors was as follows:

| | 2002 £ | 2001 £ |
|------------|---------------|---------------|
| Emoluments | <u>77,060</u> | <u>72,332</u> |

TANGIBLE FIXED ASSETS

| | Freehold land and buildings £ | Motor vehicles £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|-------------------------------------|--|------------------------|----------------------------------|----------------------------|------------------|
| Cost | | | | | |
| At 1 January 2002 | 532,203 | 14,539 | 233,457 | 517,709 | 1,297,908 |
| Additions | - | - | 2,330 | 15,712 | 18,042 |
| At 31 December 2002 | <u>532,203</u> | <u>14,539</u> | <u>235,787</u> | <u>533,421</u> | <u>1,315,950</u> |
| Depreciation | | | | | |
| At 1 January 2002 | 21,288 | 10,270 | 206,745 | 326,006 | 564,309 |
| Provided in the year | 10,644 | 1,835 | 13,840 | 61,569 | 87,888 |
| At 31 December 2002 | <u>31,932</u> | <u>12,105</u> | <u>220,585</u> | <u>387,575</u> | <u>652,197</u> |
| Net book amount at 31 December 2002 | <u>500,271</u> | <u>2,434</u> | <u>15,202</u> | <u>145,846</u> | <u>663,753</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> |

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

6 DEBTORS

| | 2002 £ | 2001 £ |
|------------------------------------|----------------|------------------|
| Trade debtors | 700,825 | 1,168,042 |
| Amounts owed by group undertakings | - | 343 |
| Other debtors | 130,478 | 78,280 |
| Prepayments and accrued income | 63,413 | 92,474 |
| | <u>894,716</u> | <u>1,339,139</u> |

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2002 £ | 2001 £ |
|----------------------------------|------------------|------------------|
| Bank loans and overdrafts | 108,656 | 333,892 |
| Trade creditors | 116,048 | 190,935 |
| Social security and other taxes | 80,191 | 55,206 |
| Other creditors | 16,238 | 38,748 |
| Accruals and deferred income | 1,693,184 | 1,876,533 |
| Amounts due under finance leases | 3,225 | 5,011 |
| | <u>2,017,542</u> | <u>2,500,325</u> |

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2002 £ | 2001 £ |
|---------------------------------|----------------|----------------|
| Bank loans | 202,500 | 282,218 |
| Amounts owed to group companies | 206,406 | 127,126 |
| | <u>408,906</u> | <u>409,344</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.

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

Borrowings are repayable as follows:

| | 2002 £ | 2001 £ |
|---------------------------------|----------------|----------------|
| Within one year | | |
| Bank and other borrowings | 108,656 | 333,892 |
| Finance leases | 3,225 | 5,011 |
| After one and within two years | | |
| Bank and other borrowings | 30,000 | 79,718 |
| After two and within five years | | |
| Bank and other borrowings | 90,000 | 90,000 |
| After five years | | |
| Bank and other borrowings | 82,500 | 112,500 |
| | <u>314,381</u> | <u>621,121</u> |

Bank and other borrowings repayable after five years comprise:

| | 2002 £ | 2001 £ |
|------------|---------------|----------------|
| Bank loans | <u>82,500</u> | <u>112,500</u> |

SHARE CAPITAL

| | 2002 £ | 2001 £ |
|--|------------|------------|
| 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> |

RESERVES

| | Profit and loss account £ |
|---------------------|---------------------------------|
| At 1 January 2002 | (820,377) |
| Profit for the year | <u>21,120</u> |
| At 31 December 2002 | <u>(799,257)</u> |

OXFORD ANALYTICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

1 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2002 £ | 2001 £ |
|---|-----------|-----------|
| Profit for the financial year | 21,120 | 130,264 |
| Net increase in shareholders' funds | 21,120 | 130,264 |
| Shareholders' funds at 1 January 2002 | (820,277) | (950,541) |
| Shareholders' funds at 31 December 2002 | (799,157) | (820,277) |

2 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2001 or 31 December 2002.

3 CONTINGENT ASSETS/ LIABILITIES

There were no contingent assets or liabilities at 31 December 2001 or 31 December 2002.

4 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 (2001: £8,000). At the end of the year £nil (2001: £6,000) was outstanding. In the year the director waived £6,000 owed to himself from the company.

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 Oxford Analytica International Group Inc is a 20% shareholder. Licence fees totalling £150,000 (2001: £145,000) were paid to eStandardsforum.com Inc, and sales of £208,000 (2001: £528,000) were made by Oxford Analytica in relation to work done developing the eStandards website.

Oxford Analytica Inc., a group company, has guaranteed the bank borrowings of Oxford Analytica Limited up to a maximum of £300,000 (2001: £300,000).

5 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 AND PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2002

| | 2002 £ | 2002 £ | 2001 £ | 2001 £ |
|--|-----------|--------------------|-----------|--------------------|
| Turnover | | 4,641,020 | | 5,093,123 |
| Cost of sales | | | | |
| Editorial costs | 1,325,835 | | 1,634,609 | |
| Contributor costs | 820,208 | | 886,328 | |
| Consultancy costs | 848,941 | | 881,483 | |
| Production costs | 26,290 | | 46,815 | |
| Information sources | 52,917 | | 66,353 | |
| | | (3,074,191) | | (3,515,588) |
| Gross profit | | 1,566,829 | | 1,577,535 |
| Administration expenses | | | | |
| Rent and rates | 65,327 | | 82,532 | |
| Insurance | 25,159 | | 23,607 | |
| Repairs and renewals | 8,773 | | 4,746 | |
| Motor and travel | 85,964 | | 82,414 | |
| Marketing expenses | 7,774 | | 2,958 | |
| Subsistence | 13,768 | | 16,333 | |
| Entertaining | 7,417 | | 13,045 | |
| Subscriptions | 4,533 | | 18,481 | |
| Telephone and telex | 56,758 | | 61,410 | |
| Print, postage and stationery | 55,970 | | 68,060 | |
| Staff training and welfare | 110,895 | | 136,130 | |
| Sundry | 12,533 | | 12,934 | |
| Professional fees | 32,037 | | 14,612 | |
| Conference calls | 18,647 | | 43,460 | |
| Depreciation | 87,888 | | 89,376 | |
| Bank charges | 12,915 | | 8,207 | |
| Systems support software | 9,509 | | 21,886 | |
| Delivery costs | 70,060 | | 62,141 | |
| Salaries | 654,200 | | 582,543 | |
| Social security costs | 71,193 | | 69,345 | |
| Hire of equipment | 28,327 | | 24,794 | |
| Charitable donations | - | | 50 | |
| Directors' remuneration | 13,026 | | 12,825 | |
| Exchange differences | 78,497 | | (33,744) | |
| | | (1,531,170) | | (1,418,145) |
| Trading profit | | 35,659 | | 159,390 |
| Interest payable | | (14,539) | | (29,126) |
| Net profit for the year before taxation | | 21,120 | | 130,264 |

THIS PAGE DOES NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS