

Oxford Analytica Limited

Financial statements

For the year ended 31 December 2003



Company No. 1196703

Company information

Company registration number	1196703
Registered office	5 Alfred Street Oxford OX1 4EH
Directors	D R Young J W Wood S K Young K C Leaman
Secretary	E A Backhouse
Bankers	Barclays Bank plc 11 West Way OXFORD OX2 0XP National Westminster Bank Plc 121 High Street OXFORD OX1 4DD Chase Manhattan Bank 410 Park Avenue New York United States of America NY 1002
Solicitors	Manches 3 Worcester Street OXFORD OX1 2PZ
Auditors	Grant Thornton Chartered Accountants Registered Auditors 1 Westminster Way OXFORD OX2 0PZ England

Index

Report of the directors	3 - 4
Report of the independent auditors	5 - 6
Principal accounting policies	7 - 8
Profit and loss account	9
Balance sheet	10
Notes to the financial statements	11 - 16

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2003.

Principal activities and business review

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").

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Directors

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

D R Young
J W Wood
S K Young
K C Leaman

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

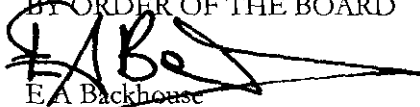
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting 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', is written over the printed name.

E.A. Backhouse

Secretary

17 March 2004

Report of the independent auditors to the members of Oxford Analytica Limited

We have audited the financial statements of Oxford Analytica Limited for the year ended 31 December 2003 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 20. 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 auditors' 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 report of the directors 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.

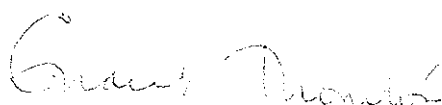
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in relation to the further funding that may be required by the company, as set out in the Basis of Preparation section of the principal accounting policies. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 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
18 March 2004

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The company has incurred losses during the year. In order to fund future trade the directors recognise that further working capital may be required. The directors are confident that such funding will be available.

As such, the Directors have drawn up the financial statements using the going concern basis of accounting because they believe that the company will continue to meet its liabilities as they fall due for payment.

The principal accounting policies of the company are set out below. The policies have remained unchanged from the previous year except for the reclassification detailed below.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 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.

Reclassification

During the year the company reclassified sales and marketing expenses from other operating charges to cost of sales. The prior year figures were also restated. The financial effect of this is to increase cost of sales and reduce other operating charges by £396,183 (2002: £378,064).

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.

Revenues from Daily Briefs and other subscription services are deferred as unearned income at the time of sale, and recognised as revenue on a straight-line basis over the life of the subscription service.

Consultancy revenues are recognised based on the percentage of completion, determined by key project milestones agreed with the client, of each project.

Fixed assets

All fixed assets are initially recorded at cost.

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	-	2%
Fixtures & fittings	-	20%
Motor vehicles	-	20%
Computer equipment	-	20%

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.

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 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 sheet date.

Foreign currencies

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 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 transaction, 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 \$98,000 in 2003.

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	4,307,553	4,641,020
Cost of sales		3,326,736	3,452,255
Gross profit		980,817	1,188,765
Other operating charges	2	1,042,367	1,153,106
Operating (loss)/profit	3	(61,550)	35,659
Interest payable	6	16,795	14,539
(Loss)/profit on ordinary activities before taxation		(78,345)	21,120
Tax on (loss)/profit on ordinary activities	7	—	—
(Loss)/retained profit for the financial year		(78,345)	21,120


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	2003 £	2002 £
Fixed assets			
Tangible assets	8	<u>595,413</u>	<u>663,753</u>
Current assets			
Debtors	9	954,677	894,716
Cash at bank		<u>54,303</u>	<u>68,822</u>
		<u>1,008,980</u>	<u>963,538</u>
Creditors: amounts falling due within one year	10	<u>2,088,743</u>	<u>2,017,542</u>
Net current liabilities		<u>(1,079,763)</u>	<u>(1,054,004)</u>
Total assets less current liabilities		<u>(484,350)</u>	<u>(390,251)</u>
Creditors: amounts falling due after more than one year	11	<u>393,152</u>	<u>408,906</u>
		<u>(877,502)</u>	<u>(799,157)</u>
Capital and reserves			
Called-up equity share capital	15	100	100
Profit and loss account	16	<u>(877,602)</u>	<u>(799,257)</u>
Deficiency	17	<u>(877,502)</u>	<u>(799,157)</u>

These financial statements were approved by the directors on 17 March 2004 and are signed on their behalf by:


D R Young

Notes to the financial statements

1 Turnover

	2003 £	2002 £
Europe	1,715,698	1,308,660
North America	2,080,117	2,857,805
Rest of the world	511,738	474,555
	<u>4,307,553</u>	<u>4,641,020</u>

2 Other operating income and charges

	2003 £	2002 £
Administrative expenses	<u>1,042,367</u>	<u>1,153,106</u>

3 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2003 £	2002 £
Directors' emoluments	74,860	77,060
Depreciation of owned fixed assets	77,920	86,727
Depreciation of assets held under finance leases and hire purchase agreements	1,161	1,161
Auditors' remuneration:		
Audit fees	12,400	12,000
Operating lease costs:		
Land and buildings	29,832	53,672
Net loss on foreign currency translation	<u>68,332</u>	<u>78,497</u>

4 Directors and employees

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

	2003 No	2002 No
Number of administrative staff	46	52
Number of management staff	5	2
	<u>51</u>	<u>54</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	1,392,565	1,532,703
Social security costs	166,692	165,424
Other pension costs	44,383	40,543
	<u>1,603,640</u>	<u>1,738,670</u>

5 Directors

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments receivable	<u>74,860</u>	<u>77,060</u>

6 Interest payable and similar charges

	2003 £	2002 £
Interest payable on bank borrowing	<u>16,795</u>	<u>14,539</u>

7 Taxation on ordinary activities

Unrelieved tax losses of approximately £950,000 (2002: £920,000) remain available to offset against future taxable trading profits.

Taxation on ordinary activities (continued)

Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
(Loss)/profit on ordinary activities before taxation	<u>(78,345)</u>	<u>21,120</u>
Profit/(loss) on ordinary activities by rate of tax	(23,504)	6,336
Expenses not deductible for tax purposes	2,831	5,613
Capital allowances for period in excess of depreciation	8,447	(22,611)
Utilisation of tax losses	—	10,662
Unrelieved tax losses	<u>12,226</u>	<u>—</u>
Total current tax	<u>—</u>	<u>—</u>

Tangible fixed assets

	Freehold property £	Fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2003	532,203	235,787	14,539	533,421	1,315,950
Additions	—	1,813	—	8,928	10,741
At 31 December 2003	<u>532,203</u>	<u>237,600</u>	<u>14,539</u>	<u>542,349</u>	<u>1,326,691</u>
Depreciation					
At 1 January 2003	31,932	220,585	12,105	387,575	652,197
Charge for the year	10,644	8,501	1,478	58,458	79,081
At 31 December 2003	<u>42,576</u>	<u>229,086</u>	<u>13,583</u>	<u>446,033</u>	<u>731,278</u>
Net book value					
At 31 December 2003	<u>489,627</u>	<u>8,514</u>	<u>956</u>	<u>96,316</u>	<u>595,413</u>
At 31 December 2002	<u>500,271</u>	<u>15,202</u>	<u>2,434</u>	<u>145,846</u>	<u>663,753</u>

Included within the net book value of £595,413 is £2,904 (2002 - £4,065) 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 £1,161 (2002 - £1,161).

Debtors

	2003 £	2002 £
Trade debtors	723,857	700,825
Other debtors	104,803	130,478
Prepayments and accrued income	126,017	63,413
	<u>954,677</u>	<u>894,716</u>

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	276,343	108,656
Trade creditors	98,999	116,048
PAYE and social security	49,510	48,803
VAT	14,640	31,388
Amounts due under finance leases and hire purchase agreements	1,290	3,225
Other creditors	35,469	16,238
Accruals and deferred income	1,612,492	1,693,184
	<u>2,088,743</u>	<u>2,017,542</u>

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	172,500	202,500
Amounts owed to group undertakings	220,652	206,406
	<u>393,152</u>	<u>408,906</u>

12 Bank borrowing

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.

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand	30,000	108,656
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	90,000	90,000
In more than five years	52,500	82,500
	<u>202,500</u>	<u>311,156</u>

13 Commitments under finance leases and hire purchase agreements

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

	2003 £	2002 £
Amounts payable within 1 year	1,290	1,935
Amounts payable between 1 and 2 years	—	1,290
	<u>1,290</u>	<u>3,225</u>

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 £Nil (2002: £8,000).

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 The Oxford Analytica International Group Inc is a 20% shareholder. Licence fees totalling £100,000 (2002: £150,000) were paid to eStandardsforum.com Inc, and sales of £nil (2002: £208,000) were made by Oxford Analytica Limited 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 (2002: £300,000).

15 Share capital

Authorised share capital:

	2003 £	2002 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

16 Profit and loss account

	2003 £	2002 £
Balance brought forward	(799,257)	(820,377)
(Accumulated loss)/retained profit for the financial year	<u>(78,345)</u>	<u>21,120</u>
Balance carried forward	<u>(877,602)</u>	<u>(799,257)</u>

7 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
(Loss)/Profit for the financial year	(78,345)	21,120
Opening shareholders' equity deficit	(799,157)	(820,277)
Closing shareholders' equity deficit	<u>(877,502)</u>	<u>(799,157)</u>

18 Capital commitments

There were no capital commitments at 31 December 2002 or 31 December 2003.

19 Contingent liabilities

There were no contingent liabilities at 31 December 2002 or 31 December 2003.

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.