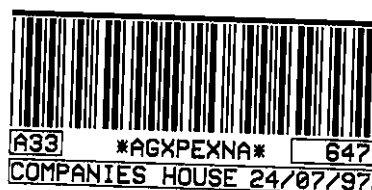


Reg. Of Cos.

A.S.I. (RESEARCH) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 1996
Company number: 01553005



FRASER RUSSELL
4 London Wall Buildings
Blomfield Street
LONDON EC2M 5NT

A.S.I. (RESEARCH) LIMITED**REPORT OF THE DIRECTORS****For the year ended 30th September 1996**

The Directors have pleasure in submitting the Annual Report and Financial Statements for the year ended 30th September 1996.

Results

The loss for the year was £44,243 (1995 : £18,366 profit). It is proposed that the loss will be deducted from reserves.

Review of business

The Company's principal activities during the period continued to be the promotion and advancement of economic research and the raising of funds for this purpose.

Directors and their interests

The Directors of the Company during the year were as follows:-

Dr. D.M. Pirie
Dr. E. Butler
Sir Ralph Bateman (Died 27th February 1996)
Sir Austin Bide
Sir John Greenborough
Sir Robert Clark

Each of the Directors held one ordinary share in the company throughout the period.

Statement of 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 and of the profit or loss of the company for that period. In preparing these 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 accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

A.S.I. (RESEARCH) LIMITED

REPORT OF THE DIRECTORS

For the year ended 30th September 1996
(Continued)

Fixed assets

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

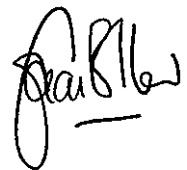
Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution proposing the re-appointment of Fraser Russell, Chartered Accountants and Registered Auditors, as Auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Dr E Butler

Secretary



Registered Office:

4 London Wall Buildings
Blomfield Street,
London EC2M 5NT

Dated: 12.7.97.

**REPORT OF THE AUDITORS TO THE MEMBERS OF
A.S.I. (RESEARCH) LIMITED**

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

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

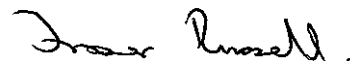
Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements in relation to future financing provided by creditors. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding by the directors to meet the company's working capital requirements. The financial statements do not include any adjustments that would result from a failure to obtain this funding. Details of the circumstances relating to this fundamental uncertainty are described in note 1(c). 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 the company's affairs as at 30th September 1996 and of the its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

4 London Wall Buildings
Blomfield Street
London EC2M 5NT


FRASER RUSSELL
Chartered Accountants
and Registered Auditors

Dated: 12.7.97,

A.S.I. (RESEARCH) LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 30th September 1996**

	Notes	<u>1996</u> £	<u>1995</u> £
Turnover	2	80,319	61,367
Cost of Sales		(83,372)	(28,969)
Gross (loss)/profit		(3,053)	32,398
Administrative Expenses		(129,307)	(118,447)
Other Operating Income		(132,360)	(86,049)
- Donations		89,561	108,505
Operating (loss)/profit	3	(42,799)	22,456
Interest Receivable		-	-
Interest Payable	5	(1,444)	(4,090)
Profit before taxation		(44,243)	18,366
Taxation	6	-	-
(Loss)/Profit for the year		(44,243)	18,366
Accumulated losses brought forward		(115,213)	(133,579)
Accumulated losses carried forward		£(159,456)	£(115,213)

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains or losses other than those stated above.

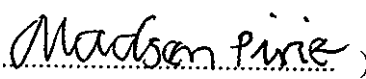
The notes on pages 6 to 9 form part of these financial statements.

A.S.I. (RESEARCH) LIMITED

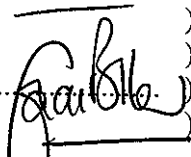
BALANCE SHEET

As at 30th September 1996

	Notes	£	<u>1996</u>	£	£	<u>1995</u>	£
Tangible fixed assets	8			6,564			8,381
Current assets							
Debtors	9	10,600			5,632		
Cash at Bank		5,722			-		
			16,322		5,632		
Creditors: Amounts Falling Due							
Within One Year	10	(182,323)			(129,207)		
Net current liabilities				(166,001)			(123,575)
				£(159,437)			£(115,194)
Financed by:							
Capital and reserves							
Called Up Share Capital	11			19			19
Profit and Loss Account	16			(159,456)			(115,213)
				£(159,437)			£(115,194)



 Dr. D.M. Pirie)


 Dr. E. Butler)

 On behalf of the Board

Directors

Dated: 18.7.97.

The notes on pages 6 to 9 form part of these financial statements.

A.S.I. (RESEARCH) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th September 1996

1. Accounting policies

a) Basis of Financial Statements

The financial statements are drawn up under the historical cost convention of accounting.

b) Depreciation

Depreciation is calculated by reference to the cost of fixed assets using a reducing balance basis, at rates considered appropriate to the expected useful lives of the assets.

The annual, rates of depreciation used are:

Computer Equipment	- 33%
Other Equipment, Fixtures, Fittings	- 20%

c) Going Concern Basis

The directors believe it is appropriate to prepare the financial statements on a going concern basis as they have agreed not to seek repayment of their loans or outstanding salary to the detriment of other creditors.

2. Turnover

Turnover comprises the invoiced value of goods and services provided, net of Value Added Tax.

3. Operating profit is stated after charging:-

	<u>1996</u>	<u>1995</u>
	£	£
Directors' Remuneration	60,000	56,040
Auditors' Remuneration	2,694	3,200
Depreciation	2,344	3,340
	<hr/>	<hr/>

4. Employee information

a) Staff Costs

Salaries	68,377	60,040
Social Security Costs	6,120	5,357
Other Pension Costs	4,800	4,800
	<hr/>	<hr/>
	£ 79,297	£ 70,197

b) Number of Employees

The average monthly number of employees (including directors) during the year was three (1995: two), all engaged in administration.

The company operates a non-contributory contribution scheme for one of its directors. The funds of the scheme are administered by trustees and are held independently of the company. The company's contributions are charged against profits in the year in which they are made.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th September 1996
(Continued)

5.	Interest payable	<u>1996</u>	<u>1995</u>
		£	£
	Bank interest	1,002	3,652
	Interest on Loan from Adam Smith Research Trust	442	438
		<u>£ 1,444</u>	<u>£ 4,090</u>
6.	Taxation		

No provision for corporation tax is required in view of the tax losses brought forward.

7. **Distribution of income**

Under the terms of a Deed of Covenant dated 5th May 1981 and a replacement deed dated 9th January 1986, the Company contracted to pay over to the Adam Smith Institute, a registered charity, the whole of its distributable income. Payment is due no later than one month before the end of the accounting period. In view of the accumulated losses sustained, no such payment is due for the period under review.

The Adam Smith Institute was formally wound up on 30th April 1990 and its assets, liabilities and operations transferred to a new Charity, the Adam Smith Research Trust, with whom a similar deed now exists.

8. **Tangible fixed assets**

	<u>Computer Equipment</u>	<u>Furniture and Other Office Equipment</u>	<u>Total</u>
	£	£	£
Cost			
At 1st October 1995	23,864	14,938	38,802
Additions	-	527	527
Disposals	-	-	-
At 30th September 1996	<u>23,864</u>	<u>15,465</u>	<u>39,329</u>
Depreciation			
At 1st October 1995	18,729	11,692	30,421
Charge in year	1,695	649	2,344
On disposal	-	-	-
At 30th September 1996	<u>20,424</u>	<u>12,341</u>	<u>32,765</u>
Net Book Value			
At 30th September 1996	<u>£ 3,440</u>	<u>£ 3,124</u>	<u>£ 6,564</u>
At 30th September 1995	<u>£ 5,135</u>	<u>£ 3,246</u>	<u>£ 8,381</u>

A.S.I. (RESEARCH) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th September 1996
(Continued)

9.	Debtors	<u>1996</u> £	<u>1995</u> £
	Other Debtors	6,586	1,654
	Prepayments	4,014	3,978
		<hr/>	<hr/>
		£ 10,600	£ 5,632
		<hr/>	<hr/>
10.	Creditors: Amounts falling due within one year		
	Bank Overdraft (Unsecured)	-	14,646
	Trade Creditors	413	2,475
	Adam Smith Research Trust	2,736	15,396
	Taxation and Social Security	14,884	8,664
	Directors' Loans	79,878	54,826
	Directors' Undrawn Salary	72,500	30,000
	Other Creditors	8,712	-
	Accruals	3,200	3,200
		<hr/>	<hr/>
		£182,323	£129,207
		<hr/>	<hr/>
11.	Share capital		
	<i>Authorised</i>		
	<i>Equity Interests:</i>		
	100 Ordinary Shares of £1 each	£ 100	£ 100
		<hr/>	<hr/>
	<i>Allotted, Called up and fully paid</i>		
	<i>Equity Interests:</i>		
	19 Ordinary Shares of £1 each	£ 19	£ 19
		<hr/>	<hr/>
12.	Lease commitments		
	Operating lease payments amounting to £14,000 (1995: £14,000) are due within one year. The commitments to make the payments included in this sum expire as follows:		
	Land and buildings:		
	Over five years	£ 14,000	£ 14,000
		<hr/>	<hr/>

A.S.I. (RESEARCH) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30th September 1996
(Continued)

13.	Reconciliation of movements in shareholders funds	<u>1996</u> £	<u>1995</u> £
	(Loss)/profit for the financial year	(44,243)	18,366
	Shareholders' funds brought forward 1995	(115,194)	(133,560)
		<hr/>	<hr/>
	Shareholders' funds carried forward	£(159,437)	£(115,194)
		<hr/>	<hr/>
	Equity interests	£(159,437)	£(115,194)
		<hr/>	<hr/>

14. **Prior year adjustment**

The directors have decided that it is inappropriate to place a value on closing stock in the financial statements, for the following reasons:-

1. Several publications are outdated or of extremely narrow interest and the net realisable value and provision for obsolete stock is difficult to ascertain.
2. Several stock items will be given away, free of charge to media, politicians, subscribers and academics or donated to schools, universities and other educational establishments and hence will not generate future income.

The effect of this change, was to decrease retained profits brought forward as at 1.10.94 by £10,717, being the estimate of closing stock at 30th September 1994.

15.	Statement of total recognised gains and losses	<u>1996</u> £	<u>1995</u> £
	(Loss)/profit for the financial year	(44,243)	18,366
	Total recognised gains and losses relating to year	(44,243)	18,366
	Prior year adjustment (as explained in note 14)	-	(10,717)
		<hr/>	<hr/>
	Total gains and losses recognised since last annual report	£ (44,243)	£ 7,649
		<hr/>	<hr/>
16.	Reserves		
	Profit and loss account	<u>1996</u>	<u>1995</u>
	At beginning of year as previously stated	(115,213)	(122,862)
	Prior year adjustment	-	(10,717)
		<hr/>	<hr/>
	At beginning of year as restated	(115,213)	(133,579)
	Transfer from profit and loss account of the year	(44,243)	18,366
		<hr/>	<hr/>
		£(159,456)	£(115,213)
		<hr/>	<hr/>