

**OXFORD INVESTMENTS HOLDINGS INC.
(FORMERLY OXFORD SOFTWARE DEVELOPERS, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Oxford Investments Holdings Inc. (formerly, International E Gaming Developers Ltd.)(hereinafter “the Company”) was originally incorporated October 13, 2000 under the laws of the Province of Ontario, Canada. On May 17, 2001, the Company changed its name to Oxford Software Developers Inc. and changed its name to Oxford Investment Holdings Inc. on December 18, 2003. The Company’s fiscal year-end is December 31.

On November 3, 2000, the Company incorporated its wholly owned subsidiary, International E-Gaming Developers Inc. (hereinafter “E-Gaming Inc.”) under the laws of Antigua and Barbuda. E-Gaming Inc. has been primarily engaged in the operation and marketing of internet gaming sites.

On November 8, 2001, the Company incorporated a wholly owned subsidiary, International E-Gaming Developers NV (hereinafter “E-Gaming NV), a limited liability company, under the laws of Curacao, Netherlands Antilles to engage in the operation of games of chance on the international market via service lines. E-Gaming NV was dissolved in 2003.

In May 2003, the Company incorporated two wholly owned subsidiaries, Ontario Private Water Labelling Limited and Celebrity Tan Inc., under the laws of Canada to engage in the production and sale of bottled water and to market UV-free tanning products and booths, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Oxford Software Developers Inc. is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. See Note 3 on Company subsidiaries.

Accounting Method

The Company’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of its statement of cash flows, the Company considers all bank accounts, certificates of deposit, money market accounts and short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

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Advertising and Marketing Expenses

Advertising and marketing fees are charged to operations in the year incurred. Advertising and marketing expenses were \$43,958, \$49,614, and \$16,642 for years ended December 31, 2004, 2003, and 2002, respectively.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern.

As shown in the accompanying financial statements, the Company incurred a net loss of \$139,368 in the year ended December 31, 2004 and has recurring losses from operations. The Company is currently putting licenses and technology in place that will, if successful, mitigate these factors that raise substantial doubt about the Company's ability to continue as a going concern. For the twelve-month period subsequent to December 31, 2004, the Company anticipates that its minimum cash requirements to continue as a going concern will be less than \$350,000. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management plans to seek additional capital from new equity securities issuances which would provide funds needed to increase liquidity, fund internal growth and fully implement its business plan.

Management also believes that new opportunities in the lifestyles consumables market for bottled water and UV-free tanning booths and supplies will provide positive cash flow in the future. See Note 3 on Company Subsidiaries.

Provision for Doubtful Accounts and Bad Debt Expense

Provision for losses on trade accounts receivable is made in amounts required to maintain an adequate allowance to cover anticipated bad debts. Accounts receivable are charged against the allowance when it is determined by the Company that payment will not be received. Receivables are shown net of an allowance for bad debts of as of December 31, 2004 and 2003, respectively.

During the year ended December 31, 2002, the Company determined that an impairment of accounts receivable had occurred and therefore recognized a bad debt expense of \$40,033 in the accompanying financial statements. The Company determined that there has been no further impairment of receivables at December 31, 2004 and 2003.

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Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

At December 31, 2004, 2003, and 2002, the Company had net deferred tax assets, calculated at an expected rate of 44%, of approximately \$850,000, \$780,000, and \$640,000, respectively, principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to the net deferred tax asset was recorded at December 31, 2004, 2003, and 2002. The significant components of the deferred tax asset at December 31, 2004, 2003 and 2002 were as follows:

	December31, 2003	December31, 2003	December31, 2001
	<u>\$ 1,930,000</u>	<u>\$ 1,790,000</u>	<u>\$ 1,460,000</u>
Net operating loss carryforward			
Deferred tax asset	\$ 850,000	\$ 780,000	\$ 640,000
Deferred tax asset valuation allowance	\$ (850,000)	\$ (780,000)	\$ (640,000)

At December 31, 2004, the Company has net operating loss carryforwards of approximately \$1,930,000. The Company recognized approximately \$1,458,000 of losses from issuance of restricted common stock and stock options for services in prior fiscal years, which are not deductible for tax purposes and are not included in the above calculation of net operating loss or deferred tax assets. The change in the allowance account from December 31, 2002 to December 31, 2003 was \$1,400,000 and the change in the allowance account from December 31, 2003 to December 31, 2004 was \$70,000.

Impaired Asset Policy

In complying with the Financial Accounting Standards Board Statement titled "Accounting for Impairment of Long-lived Assets," the Company reviews its long-lived assets quarterly to determine if any events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by its assets to their respective carrying amounts. During the year ended December 31, 2002, the Company determined its software, which had a book value of \$409,886, was fully impaired. There were no additional impairments during 2004 or 2003.

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Inventories

Inventories are stated at the lower of cost or market on a first-in, first-out basis.

Compensated Absences

Employees of the Company are entitled to paid vacation. The vacation pay is equal to 4% of an employee's gross payroll. The Company has accrued \$1,327 in vacation pay at December 31, 2004 and \$1,327 at December 31, 2003.

Fair Value of Financial Instruments

The carrying amounts for cash, prepaid expenses, receivables, payables, and notes payable approximate their fair value.

Revenue Recognition and Deferred Revenue

Revenue is recognized when there is persuasive evidence of an arrangement, when delivery has occurred, when there is a fixed or determinable fee and when collectibility is probable. When the fee is not fixed or determinable or when collectibility is not assured, the revenue is recognized when received. As amounts are collected, the appropriate revenue is recognized and deferred revenue is recorded for the annual amortizable portion as described below.

When contracts contain multiple elements, the fee is allocated to the various components based on objective evidence of fair value, which includes the price charged as if the element was sold separately. Accordingly, contracts may contain customization, web hosting, licensing and marketing fees as described and valued below.

One of the Company's original contracts was a premium contract which included \$25,000 for annual marketing and support offered to the original premium holders. That amount was considered by the Company to be deferred revenue and was recorded as such and the amount will be amortized over the service period of one year. This level of service is no longer available.

Revenues from customization fees are recognized as sold to third parties. Web hosting and annual licensing fees are deferred and recognized throughout the first year of operation. Revenue from the sale of software sub-licenses to the Company's related reseller is recognized upon sell through to the unrelated third parties. Revenue from casino operations, advertising and royalties is recognized monthly as earned.

During the year ended December 31, 2004, the majority of the casinos involved in previous Company contracts were no longer operating or had been taken over by the Company. These entities have no balance owing to the Company.

Functional Currency/Reporting Currency

Although the parent company's functional currency is the Canadian dollar, the Company's active operating subsidiary conducts business in United States dollars. Therefore, the Company's reporting currency is the United States dollar.

Foreign Currency Translation Policy

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All transactions in currencies other than the United States dollar during the year are translated at average exchange rates for the period. Monetary assets and liabilities denominated in a foreign currency are translated at the prevailing year-end rates of exchange. Exchange gains or losses are included in the consolidated statements of income (loss) and retained earnings.

For foreign subsidiaries whose functional currency is the local foreign currency, balance sheet accounts are translated at exchange rates in effect at the end of the period and income statement accounts are translated at average exchange rates for the period. Translation gains and losses are included in accumulated other comprehensive income (loss), a component of stockholders' equity.

Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153. This statement addresses the measurement of exchanges of nonmonetary assets. The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions," is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that opinion, however, included certain exceptions to that principle. This statement amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Earlier application is permitted for nonmonetary asset exchanges incurred during fiscal years beginning after the date of this statement is issued. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 152, which amends FASB statement No. 66, "Accounting for Sales of Real Estate," to reference the financial accounting and reporting guidance for real estate time-sharing transactions that is provided in AICPA Statement of Position (SOP) 04-2, "Accounting for Real Estate Time-Sharing Transactions." This statement also amends FASB Statement No. 67, "Accounting for Costs and Initial Rental Operations of Real Estate Projects," to state that the guidance for (a) incidental operations and (b) costs incurred to sell real estate projects does not apply to real estate time-sharing transactions. The accounting for those operations and costs is subject to the guidance in SOP 04-2. This statement is effective for financial statements for fiscal years beginning after June 15, 2005. Management believes the adoption of this statement will have no impact on the financial statements of the Company.

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, "Accounting for Stock Based Compensation." This statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that

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are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Company has not yet determined the impact to its financial statements from the adoption of this statement.

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151, "Inventory Costs— an amendment of ARB No. 43, Chapter 4". This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . ." This statement requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not believe the adoption of this statement will have any immediate material impact on the Company.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity" (hereinafter "SFAS No. 150"). SFAS No. 150 establishes standards for classifying and measuring certain financial instruments with characteristics of both liabilities and equity and requires that those instruments be classified as liabilities in statements of financial position. Previously, many of those instruments were classified as equity. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company has determined that the adoption of this statement will not impact the Company's financial statements.

In April 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 149"). SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement is effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 is not expected to have a material impact on the financial position or results of operations of the Company.

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In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" (hereinafter "SFAS No. 148"). SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, the statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of the statement are effective for financial statements for fiscal years ending after December 15, 2002. The Company currently reports stock issued to employees under the rules of SFAS 123. Accordingly, there is no change in disclosure requirements due to SFAS 148.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 was issued in June 2002 and is effective for activities after December 31, 2002. There has been no impact on the Company's financial position or results of operations from adopting SFAS No. 146.

In April 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections" (hereinafter "SFAS No. 145"), which updates, clarifies and simplifies existing accounting pronouncements. FASB No. 4, which required all gains and losses from the extinguishment of debt to be aggregated and, if material, classified as an extraordinary item, net of related tax effect was rescinded. As a result, FASB No. 64, which amended FASB No. 4, was rescinded, as it was no longer necessary. FASB No. 44, Accounting for Intangible Assets of Motor Carriers, established the accounting requirements for the effects of transition to the provisions of the Motor Carrier Act of 1980. Since the transition has been completed, FASB No. 44 is no longer necessary and has been rescinded. SFAS No. 145 amended FASB No. 13 to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. The Company adopted SFAS No. 145 and does not believe that the adoption will have a material effect on the financial statements of the Company.

In November 2002, the Financial Accounting Standards Board issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including Indirect Guarantees of Indebtedness of Others" (hereinafter "FIN 45"). FIN 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations

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assumed under the guarantee and elaborates on existing disclosure requirements related to guarantees and warranties. The initial recognition requirements of FIN 45 are effective for guarantees issued or modified after December 31, 2002 and do not have an impact on the financial statements of the Company. The Company does not anticipate issuing any guarantees which would be required to be recognized as a liability under the provisions of FIN 45 and thus does not expect the adoption of this interpretation to have an impact on its results of operations or financial position.

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, “Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133”, and SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities”, which is effective for the Company as of January 1, 2001. These standards establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Historically, the Company has not entered into derivatives contracts to hedge existing risks or for speculative purposes.

At December 31, 2004, 2003 and 2002, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Segment Information Segment Information

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (hereinafter “SFAS No. 131”) during the year ended December 31, 2000. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. It also established standards for related disclosures about products and services and geographic areas. Operating segments are defined as components of an enterprise about which separate financial information is available, evaluated regularly by the chief operating decision makers, or a decision making group, in deciding how to allocate resources and in assessing performance. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position, but did affect the disclosure of segment information as reported in Note 14.

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Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

NOTE 3 – SUBSIDIARIES

International E-Gaming Developers Inc.

On November 3, 2000, the Company incorporated a wholly owned subsidiary, International E-Gaming Developers, Inc. under the laws of Antigua and Barbuda as an international business corporation. E-Gaming Inc. was incorporated to engage in Internet gaming, including international betting, gaming, sports betting and bookmaking activities along with wagers on sporting events taking place outside the Caribbean Community region from residents of countries outside the Caribbean Community region. E-Gaming Inc. was primarily engaged in the operation and marketing of Internet gaming sites.

During the year ended December 31, 2002, the Company took over all operations of E-Gaming Inc.

International E-Gaming Developers NV

On November 8, 2001, the Company incorporated a wholly owned subsidiary, International E-Gaming Developers NV (hereinafter "E-Gaming NV"), a limited liability company, under the laws of Curacao, Netherlands Antilles. E-Gaming NV was incorporated to engage in the operation of games of chance in the international market via service lines. E-Gaming NV is primarily engaged in the operation and marketing of Internet gaming sites. During the year ended December 31, 2002, the Company took over all operations of International E-Gaming Developers NV and dissolved the Company in 2003.

Ontario Private Water Labelling Limited

In 2003 the Company incorporated a wholly owned subsidiary, Ontario Private Water Labelling Limited, under the laws of Canada. Through this subsidiary, management intends to approach corporate and retail entities who wish to use their own label on bottled water as promotional or marketing tools. Additionally, the Company intends to market its own line of bottled spring water to sell at concerts, sporting events, and other venues.

Celebrity Tan Inc.

In 2003, the Company incorporated a wholly owned subsidiary, Celebrity Tan Inc. under the laws of Canada. Celebrity Tan Inc. was incorporated to engage in the building and distribution of UV-free tanning stalls. These stand-up tanning booths spray a fine mist of sunless tanning solution onto the customer. The Company also intends to market through this subsidiary its own line of sunless tanning products.

NOTE 4 – OFFICE EQUIPMENT

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Office equipment is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

The following is a summary of property and equipment and accumulated depreciation at December 31, 2004:

	<u>2004</u>	<u>2003</u>	<u>2003</u>
Office Equipment	\$ 24,363	\$ 24,216	\$ 18,465
Hardware	1,658	-	-
Software	<u>1,398</u>	<u>1,301</u>	<u>952</u>
Total Property and Equipment	<u>26,160</u>	<u>25,517</u>	<u>20,417</u>
Accumulated Depreciation	\$ (20,631)	\$ (15,724)	\$ (10,692)

Depreciation and amortization expense for the years ended December 31, 2004, 2003, and 2002 was \$4,907, \$5,032, and \$5,945 respectively.

NOTE 5 – INTANGIBLE ASSETS

During the year ended December 31, 2002 the Company reached an agreement with World Gaming to discontinue their relationship and seek other avenues for processing the casino revenues and payments. As a result, outstanding amounts owing to or from World Gaming were written off with a residual \$12,688 to be paid to World Gaming in monthly installments. The amount owing to World Gaming is including in accounts payable in the financial statements. The net amount owing to World Gaming that was written off as a forgiveness of debt is \$28,995 and is included in other income and expenses in the financial statements at December 31, 2002.

Gaming License

On November 20, 2001, the Company's subsidiary, E-Gaming NV, acquired a five-year sublicense from World Gaming to engage in the operation of games of chance in the international market via service lines in the territory of Curacao. The first year fee of \$40,000 was paid in 2001 and will be amortized at a rate of approximately \$667 per month as a cost of revenues over the life of the sublicense.

Software License

During the year ended December 31, 2002, the Company and Suchow Holdings, Ltd. came to an agreement. Starnet Systems International, Inc. reserves 10% of the total winning payout on all games as a rolling reserve for a total of six months. This rolling reserve is used for charge backs when necessary. At December 31, 2002, the rolling reserve amounted to \$29,416 and is included in the accounts receivable as an amount receivable from Starnet. Additionally, it is included in the accounts payable as an amount due to affiliates.

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During 2003, this agreement was terminated and no rolling reserve or related receivables or payables are recorded.

Software

On April 26, 2001, the Company entered into an asset purchase agreement with Suchow Holdings, Ltd., a Bahamian-based company. According to the terms of the agreement, the Company agreed to pay a total of \$103,000 over five months and issued 1,000,000 shares of common stock. In return, the Company acquired an Internet gaming and management software program and copyright, hardware, and several existing casino contracts. The Company expects to customize the gaming and management software and sell it to another vendor. The total value of the assets, which amounted to \$405,342, were deemed to be impaired and written off during 2002. Also during the year ended December 31, 2002 the remaining unpaid balance of \$54,490 was forgiven and is included in the "Other Income and Expense" section of the Statements of Operations.

NOTE 6 – NOTES AND LOANS PAYABLE

On December 11, 2000, the Company signed a promissory note in the amount of \$25,000 (CDN) in connection with a letter of intent. See Note 11. The note is non-interest bearing, uncollateralized and is due on demand. As of December 31, 2003 and 2002 this loan was recorded at \$19,318 and \$15,860, respectively. During the year ended December 31, 2004 the Company terminated the letter of intent and after paying \$1,990, wrote off the remaining balance as forgiveness of debt and is included in the "Other Income and Expense" section of the financial statements. See Note 11.

For information on the related party debt, see Note 7.

NOTE 7 – RELATED PARTY TRANSACTIONS

On December 31, 2004, 2003, and 2002, the Company owed officers, directors and stockholders \$540,925, \$544,447, and \$415,027 respectively, for cash advances, consulting fees and expenses paid on behalf of the Company. These related party loans are uncollateralized, non-interest bearing and due on demand.

Approximately 33% of the Company's casino customers are represented by one entity, which is owned and operated by a stockholder of the Company. See Note 8. This related party currently has no accounts receivables included in these financial statements but had \$497,000 of the contracts in place in 2001. In 2002, the majority of the casino websites were closed down or taken over by the Company. See Note 2.

On December 31, 2002, a stockholder owed the Company \$867. This loan is non-interest bearing, uncollateralized and due on demand. During 2003, the amount was repaid.

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NOTE 8 – CONCENTRATIONS

Bank Accounts

The Company maintains five cash accounts at a Canadian bank. The Canadian dollar accounts are insured up to a maximum of \$60,000, and the United States dollar accounts are not insured. At December 31, 2004, 2003, and 2002, approximately \$0, \$400, and \$600 was exposed to risk, respectively.

Customers

Approximately 33% of the Company's sublicense agreements are represented by one entity, which, in turn, resold the agreements to unrelated third parties. This entity is owned and operated by a stockholder of the Company. See Note 7.

Licenses

The Company's license to gaming software is issued by World Gaming pursuant to a gaming license issued by Antigua during 2001 and Curacao beginning in November 2001. World Gaming is one of the few primary developers and operators of casino and other gaming software in the world. During the years ended December 31, 2004, 2003, and 2002, 100% of the Company's revenue from Internet gaming software was attributable to the World Gaming relationship. As part of the licensing agreement with World Gaming, the Company has the right to sublicense its software. Because World Gaming is the Company's sole licensor, the loss of the World Gaming relationship could have a material adverse effect on the Company's revenues, operating results and financial condition. Although the Company expects to diversify risks associated with dependence on World Gaming by entering into arrangements with additional licensors or developing and licensing its own software to various licensees, there can be no assurance that such diversification will be successful or that the Company will be able to reduce its dependence on one or a small group of licensors.

NOTE 9 – COMMON STOCK

The Company is authorized to issue an unlimited number of common shares according to its original charter. The Company's shares have no stated par value. Each share of common stock is entitled to one vote at the shareholders' meetings. Shares may be transferred with the consent of a majority of the directors or the shareholders through resolution or by a signed instrument. In its original articles of incorporation, the Company limited the number of shareholders to not more than fifty non-employee individuals and any invitation to the public to subscribe for or purchase securities of the Company was prohibited. On September 13, 2001, the Company amended its articles of incorporation to lift the shareholder and invitation restrictions.

During the year ended December 31, 2002, the Company issued \$17,000 shares of stock for cash for \$1.00 per share.

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During the year ended December 31, 2003, the Company sold for cash 796,500 shares of common stock. This stock was sold for \$1.00 Canadian (approximate \$0.77 U.S.) less commissions of \$355,905.

During the year ended December 31, 2004, the Company sold for cash 942,750 shares of common stock. This stock was sold for approximately \$0.56 per share or a total of \$546,451 CDN (approximately \$0.47 per share or \$453,718 U.S.), less commissions of \$220,928.

Also during the year ended December 31, 2004, the Company cancelled 10,000 shares of common stock that it sold for \$10,000 CDN (approx \$8,303 U.S.) in 2003.

NOTE 10 – INCOME (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing the net income (loss) by the weighted average number of shares outstanding during the period. The weighted average number of shares is calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted earnings per share is computed by dividing the net income (loss) adjusted for interest expense on convertible debt by the weighted average number of basic shares outstanding increased by the number of shares that would be outstanding assuming conversion of any stock options, warrants, and convertible debt. Diluted net income (loss) per share is the same as basic net income (loss) per share as there are no common stock equivalents outstanding.

NOTE 11 – LETTER OF INTENT

On December 4, 2000, the Company signed a letter of intent with a company listed on the Canadian Exchange. As a result of this agreement, the Company received \$25,000 Canadian (\$15,860 U.S.) and issued an uncollateralized demand promissory note for the sum received. While the companies mutually withdrew from the letter of intent during March 2001, the related note remains unpaid at December 31, 2003. See Note 6.

In April 2004, settlement for \$2,500 CDN (approximately \$1,990 U.S.) was made and the balance was written off. See Note 6.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Potential Lawsuit

During the year ended December 31, 2002 the Company took over the operations of one of its customer's casinos due to failure to pay fee owing. The casino customer in question has begun proceedings regarding breach of agreement against the Company. At December 31, 2004 there was no financial impact and no potential financial impact could be determined.

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Uncertainty as to the Legal Status of Internet Gaming

The Company, its software licensees and its sub-licensees are subject to applicable laws in the jurisdictions in which they operate. Due to the relatively recent development of casino gaming over the Internet, there are limited direct regulations that deal with this application and there is uncertainty in certain jurisdictions as to the legal status of gaming over the Internet. Currently, the United States does not have federal legislation regulating Internet gambling, however, there have been several bills introduced to prohibit or restrict Internet gaming. There can be no assurance whether any such bill will become law in the future, the effects of which are uncertain.

During the year ended December 31, 2003, the United States House of Representatives Financial Services committee introduced two resolutions regarding Internet gambling and the United States Senate Banking, Housing, and Urban Affairs committee introduced one bill of the same nature. The Senate bill and one of the House resolutions call for the prohibition of monetary banking transactions over the internet to gaming sites. This would make any payments to an online casino that take place through wires, credit cards, or debit cards illegal in the United States. The second House resolution calls for the formation of commission to study Internet gambling licensing and regulation. As of the date of these financial statements, none of the proposals has been finalized.

Computer Security

The Company operates in an industry, which is vulnerable to attacks upon its computer operating security. The risks to the Company's operations are significant and will require continued monitoring to minimize the effects of any possible attacks from outside.

Foreign Operations

The accompanying balance sheets for December 31, 2004, 2003, and 2002 include approximately \$287,000, \$157,000, and \$57,000, respectively, relating to the Company's assets in Canada and Antigua. Although these countries are considered politically and economically stable, it is always possible that unanticipated events in foreign countries could disrupt the Company's operations.

Dependence on Key Licensor and Licensees

The original term of the Company's license agreement with World Gaming was for one year. In November 2001, the Company signed a five-year license agreement with World Gaming. The terms of the underlying license or sublicense agreements vary, although averaging ten-year terms and providing for automatic renewal periods of ten years. There is a risk that the Company's license agreement with World Gaming or the license or sublicense agreements with licensees (or sub-licensees, as the case may be) will not be renewed or will otherwise be terminated in accordance with the terms of such agreements. In addition, in the event that a licensee or sub-licensee chooses to operate a different casino, there can be no assurances that such new casino will be operated using the Company's software.

The trademarks or trade names under which all of the Company's licensees operate are the property of the respective licensees. Although the Company is generally entitled to continued operation of a casino on termination of a license or sublicense agreement, in certain cases this

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entitlement is limited and it generally does not include the operation of the casino under the existing name. A change in the name of the casino may lead to a loss of goodwill, as various methods needed to direct a customer to the new site cannot be completely relied upon.

Office Lease

The Company signed a lease for office space in Calgary, Alberta. This one-year lease was in effect from April 1, 2001 through March 31, 2002 and was not renewed. The lease called for minimum monthly rent payments of approximately \$560 Canadian with a deposit of \$560 Canadian.

During the year ended December 31, 2001, the Company assumed a three-year office lease in Oshawa, Ontario. The lease runs through December 31, 2003. The lease calls for a minimum monthly rent payment of approximately \$1,040 Canadian. During the year ended December 31, 2002 the Company decided to close the Oshawa office as it had no need for the additional space and the Company was not satisfied that the rental corporation was upholding the lease agreement. The rental corporation has not approached the Company for breaking the lease.

The Company rented commercial space in Toronto, Ontario during 2003 with a month-to-month agreement for rent for \$3,500 Canadian (approximately \$2,200 U.S.), plus expenses such as parking. Rent expense for the year ended December 31, 2004 was \$34,898.

The Company's wholly owned subsidiary, Celebrity Tan Inc. leased corporate office space located in Toronto, Ontario on December 1, 2003 for a period of 36 months. Lease payments are currently \$1,349 Canadian (approximately \$960 U.S.) per month. Total payments for the year ended December 31, 2004 were \$14,583 CDN (approximately \$11,231 U.S.).

Future annual minimum lease payments for the terms of the lease agreements as of December 31, 2004 are as follows for the years ending December 31:

<u>Year</u>		<u>Annual Amount</u>
2005	\$	11,520
2006	\$	10,560

NOTE 13 – PURCHASE OF SOFTWARE AND OTHER ASSETS

On April 26, 2001, the Company entered into an asset purchase agreement with Suchow Holdings, Ltd., a Bahamian-based company. According to the terms of the agreement, the Company will pay a total of \$103,000 and issue 1,000,000 shares of common stock. In return, the Company acquired an Internet gaming and management software program and copyright, hardware, and several existing casino contracts. The Company expects to fully market, license and operate the gaming software. The total value of the assets amounted to \$405,342.

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During the year ended December 31, 2002 the Company reviewed the software and determined that it would not be utilized in the near future. The Company further determined that the remaining value of the software was impaired. This impairment was expensed to operations during 2002 and totaled \$409,886.

NOTE 14 - SEGMENT INFORMATION

As described in Note 2, the Company adopted SFAS No. 131 in its fiscal year 2000. The Company's operations are classified into three principal reporting segments that provide different products or services. Separate management of each section is required because each business unit is subject to different marketing, production, and technology strategies.

Prior to 2003, the Company was not required to use segment reporting.

Segment information (after intercompany eliminations) for the year ended December 31, 2004 is as follows:

	December 31, 2004	December 31, 2003
Revenues:		
Oxford Software Developers, Inc.	\$ 391,176	\$ 380,623
Ontario Private Water Labelling Limited	2,508	-
Celebrity Tan Inc.	301,565	58,534
Total Revenues	<u>\$ 695,249</u>	<u>\$ 439,157</u>
Operating income (loss):		
Oxford Software Developers, Inc.	\$ (117,178)	\$ (169,120)
Ontario Private Water Labelling Limited	128	(2,149)
Celebrity Tan Inc.	(26,821)	(34,858)
Net Loss	<u>\$ (196,858)</u>	<u>\$ (206,127)</u>
Identifiable Assets::		
Oxford Software Developers, Inc.	\$ 101,766	\$ 100,601
Ontario Private Water Labelling Limited	9,008	114
Celebrity Tan Inc.	176,980	56,595
Total Identifiable Assets	<u>\$ 171,346</u>	<u>\$ 171,346</u>
Depreciation and Amortization		
Oxford Software Developers, Inc.	\$ (3,465)	\$ 2,504)
Ontario Private Water Labelling Limited	-	-
Celebrity Tan Inc.	-	-
Total Depreciation and Amortization	<u>\$ (3,465)</u>	<u>\$ (2,504)</u>

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All of the Company's assets are held in Canada at December 31, 2004.

Oxford's reportable segments are strategic business units that offer different products or services. They are managed separately because each business requires different technology and marketing strategies.