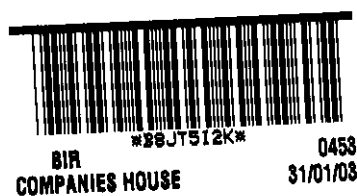


**SPECTRUM FRANCHISING
LIMITED**

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 2001



SPECTRUM FRANCHISING LIMITED

ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

Company registration number: 2130421

Registered office: Spectrum House
Lower Oakham Way
Oakham Business Park
Mansfield
NG18 5BY

Directors: M Lusty (Chairman)
J Hartshorne
R C Hutton
R E Spencer
C P Roche

Secretary: H Stoddart

Bankers: HSBC
1 Leeming Street
Mansfield
Nottinghamshire
NG18 1LU

Standard Life Bank Limited
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH

Solicitors: Pinsent Curtis Biddle
3 Colmore Circus
Birmingham
B4 6BH

Auditors: Grant Thornton
Registered auditors
Chartered accountants
30 Hounds Gate
Nottingham
NG1 7DH

SPECTRUM FRANCHISING LIMITED

ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

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SPECTRUM FRANCHISING LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 2001.

Principal activities

The company trades as a carpet dyeing and cleaning master franchise operation under the name Rainbow International Carpet Dyeing and Cleaning Company.

Business review

The results for the year and the financial position of the company are shown in the financial statements.

However, these results do not give the full picture of the growth of the Rainbow International franchise network. In 1996 the network comprised just over 50 franchisees but by December 2001 this had increased to 120 active franchise units operating throughout the UK, employing some 500 people.

Network turnover for the year to 31 December 2001 is certified at £28,239,573 an increase of 42% over that for 2000. The turnover for 2000 of £19,825,564 was an increase of 51% over 1999. Network turnover is defined as the turnover of the franchise network.

Rainbow International is the largest restoration network in the UK, providing fire and water restoration service to the insurance industry, and is a lead provider to a number of those companies. The network continues to penetrate the domestic and commercial markets in the provision of cleaning and restoration services.

In May 2001 the title of British Franchise Association (BFA) Franchisor of the Year 2001, sponsored by The Daily Express and HSBC, was awarded to Rainbow International.

There was a profit for the year after taxation amounting to £542,884 (2000: profit £369,133). 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.

The only director with an interest in the shares of the company is M Lusty who held 1 ordinary share at 31 December 2001 and at 1 January 2001.

The interests of the directors and their families in the shares of Spectrum Holdings Ltd (the parent undertaking) as at 31 December 2001 and 1 January 2001 were as follows:

	Ordinary shares		Ordinary B shares	
	31 December 2001	1 January 2001	31 December 2001	1 January 2001
M Lusty (Chairman)	1,895	2,000	13,925	-
J Hartshorne	-	-	-	-
R C Hutton	-	-	-	-
R E Spencer	-	-	-	-
C P Roche	205	100	1,200	-

SPECTRUM FRANCHISING LIMITED

REPORT OF THE DIRECTORS

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

Grant Thornton were appointed auditors on 17 October 2001 to fill a casual vacancy in accordance with section 388(1) of the Companies Act 1985. Special notice pursuant to section 388(3) having been given, a resolution to reappoint Grant Thornton as auditors will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD



M Lusty
Director

27/1/03

**REPORT OF THE INDEPENDENT AUDITORS TO SPECTRUM FRANCHISING LIMITED
UNDER**

SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts which comprises the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement and the notes 1 to 28 together with the full financial statements of Spectrum Franchising Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 2001.

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 are responsible for preparing the abbreviated accounts in accordance with the provisions of section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver to the Registrar of Companies abbreviated accounts prepared in accordance with section 246A(3) of the Act and whether the abbreviated accounts have been properly prepared in accordance with that provision.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts which comprise the principal accounting policies, the abbreviated balance sheet and notes 1 to 28 have been properly prepared in accordance with that provision.



GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
NOTTINGHAM
28 January 2003

SPECTRUM FRANCHISING LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

INCOME FROM INVESTMENTS

Investment income comprises dividends declared during the accounting period and interest receivable on listed and unlisted investments.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives. The rates generally applicable are:

Leasehold improvements	33.3% per annum on cost
Motor vehicles	33.3% per annum on net book value
Fixtures and fittings	33.3% per annum on net book value

INTANGIBLE FIXED ASSETS

Intangible fixed assets are capitalised and amortised on a straight line basis over its estimated useful economic life.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

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

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 company contributes to the personal pension schemes of certain employees and directors.

SPECTRUM FRANCHISING 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.

EMPLOYEE BENEFIT TRUST

Assets held by the company's Employee Benefit Trust (EBT) are included in the company's balance sheet as current asset investments, subject to any provision for diminution in value, until they are unconditionally distributed to beneficiaries at the unfettered discretion of the trustees of the EBT.

SPECTRUM FRANCHISING LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	Note	2001 £	As restated 2000 £
Gross profit		2,562,676	1,707,851
Administrative expenses		(1,806,151)	(1,146,526)
Operating profit		756,525	561,325
Other interest receivable and similar income	2	76,658	68,462
Interest payable and similar charges	2	(19,457)	(2,611)
Profit on ordinary activities before taxation	1	813,726	627,176
Tax on profit on ordinary activities	3	(270,842)	(258,043)
Profit for the financial year	18	542,884	369,133
Dividends Equity		-	(150,000)
Profit transferred to reserves	16	542,884	219,133

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

The accompanying accounting policies and notes form an integral part of these abbreviated accounts.

SPECTRUM FRANCHISING LIMITED

ABBREVIATED BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £	2001 £	As restated 2000 £	As restated 2000 £
Fixed assets					
Intangible assets	6		-		-
Tangible assets	7		261,827		211,867
			<u>261,827</u>		<u>211,867</u>
Current assets					
Stocks	9	97,339		74,267	
Debtors	10	939,674		990,407	
Investments	8	198,493		209,600	
Cash at bank and in hand		2,129,941		1,113,149	
		<u>3,365,447</u>		<u>2,387,423</u>	
Creditors: amounts falling due within one year	11	(1,775,323)		(1,245,305)	
Net current assets			<u>1,590,124</u>		<u>1,142,118</u>
Total assets less current liabilities			<u>1,851,951</u>		<u>1,353,985</u>
Creditors: amounts falling due after more than one year	12		(53,226)		(82,094)
Provisions for liabilities and charges	13		-		(16,050)
			<u>1,798,725</u>		<u>1,255,841</u>
Capital and reserves					
Called up share capital	15		850,000		850,000
Profit and loss account	16		948,725		405,841
Shareholders' funds	18		<u>1,798,725</u>		<u>1,255,841</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated accounts were approved by the Board of Directors on

28/1/2003

M Lusty



Director



The accompanying accounting policies and notes form an integral part of these abbreviated accounts.

SPECTRUM FRANCHISING LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2001

	Note	2001 £	As restated 2000 £
Net cash inflow from operating activities	19	1,291,334	685,707
Returns on investments and servicing of finance			
Interest received		76,658	68,462
Interest paid		(14,276)	-
Finance lease interest paid		(5,181)	(2,611)
Net cash inflow from returns on investments and servicing of finance		57,201	65,851
Taxation		(166,762)	(113,349)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(146,109)	(102,369)
Sale of tangible fixed assets		-	24,200
Net cash outflow from capital expenditure and financial investment		(146,109)	(78,169)
Equity dividends paid		-	(150,000)
Purchase of investments		(33,997)	(9,600)
Sale of investments		45,104	-
Financing			
Capital element of finance lease rentals		(29,979)	(25,097)
Increase in cash	21	1,016,792	375,343

The accompanying accounting policies and notes form an integral part of these abbreviated accounts.

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

1 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	2001 £	As restated 2000 £
Auditors' remuneration	8,000	4,000
Depreciation and amortisation:		
Tangible fixed assets, owned	73,874	21,064
Tangible fixed assets, held under finance leases and hire purchase contracts	22,275	33,388
Hire of plant and machinery	5,350	5,943
Other operating lease rentals	30,000	30,000

2 NET INTEREST

	2001 £	As restated 2000 £
Finance charges in respect of finance leases	5,181	2,611
Other interest payable and similar charges	14,276	-
Other interest receivable and similar income	(76,658)	(68,462)
	(57,201)	(65,851)

3 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	As restated 2000 £
UK Corporation tax at 33% (2000: 29.1%)	349,592	181,451
Deferred taxation	(100,835)	16,050
	248,757	197,501
Adjustments in respect of prior periods:		
Corporation tax	22,085	60,542
	270,842	258,043

4 TAX RECONCILIATION

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

	2001 £	2000 £
Profit on ordinary activities before tax	813,726	627,176
Tax on profit on ordinary activities at 30 %	244,118	188,153
Effects of		
Expenses not deductible for tax	8,802	2,818
Capital allowances in excess of depreciation	(3,299)	(5,915)
Short term timing differences	46,228	-
Adjustments in respect of prior periods	75,828	60,542
Adjustment for small companies rate of corporation tax	-	(3,605)
	<u>371,677</u>	<u>241,993</u>

5 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2001 £	As restated 2000 £
Wages and salaries	1,057,752	429,421
Social security costs	65,227	36,504
Other pension costs	89,528	224,568
	<u>1,212,507</u>	<u>690,493</u>

The average number of employees of the company during the year was 33 (2000: 29).

Remuneration in respect of directors was as follows:

	2001 £	As restated 2000 £
Emoluments	216,523	160,966
Pension contributions to money purchase pension schemes	85,740	221,598
	<u>302,263</u>	<u>382,564</u>
From employee benefit trust (see note 8)	442,700	-
	<u>744,963</u>	<u>382,564</u>

During the year 4 directors (2000: 3) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid directors as follows:

	2001 £	2000 £
Emoluments and long-term incentive schemes	84,276	61,808
Pension contributions to money purchase pension schemes	79,476	218,051

The highest paid director received monies from the employee benefit trust as follows 2001 - £387,790 (2000: £Nil).

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

6 INTANGIBLE FIXED ASSETS

	Franchise licence £
Cost or valuation	
At 1 January 2001 and 31 December 2001	400,000
Amortisation	
At 1 January 2001 and 31 December 2001	400,000
Net book amount at 31 December 2001 and 31 December 2000	-

This represents the know-how and the United Kingdom master franchise acquired in 1989.

7 TANGIBLE FIXED ASSETS

	Leasehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2001	10,000	148,203	230,351	388,554
Additions	11,500	-	134,609	146,109
At 31 December 2001	21,500	148,203	364,960	534,663
Depreciation				
At 1 January 2001	3,333	44,073	129,281	176,687
Provided in the year	7,267	39,155	49,727	96,149
At 31 December 2001	10,600	83,228	179,008	272,836
Net book amount at 31 December 2001	10,900	64,975	185,952	261,827
Net book amount at 31 December 2000	6,667	104,130	101,070	211,867

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

	Motor vehicles £
Net book amount at 31 December 2001	<u>44,500</u>
Net book amount at 31 December 2000	<u>66,775</u>
Depreciation provided during year	<u>22,275</u>

8 CURRENT ASSET INVESTMENTS

	2001 £	As restated 2000 £
Shares held in AESOP	170,393	209,600
Employee Benefit Trust	<u>28,100</u>	<u>-</u>
	<u>198,493</u>	<u>209,600</u>

AESOP

In 1999 the company contributed £200,000 to the All Employee Share Option Plan (AESOP). During the year the company allocated 2,293 shares from the AESOP to the employees. The cost of this issue was £45,104. At the year end the option plan held 7,968 shares in Spectrum Holdings Limited.

Employee Benefit Trust

During the year the company made a contribution of £503,100 to the Spectrum Franchising Limited Employee Benefit Trust (the Trust) which has been established to provide benefits to employees and directors of the company. Assets held by the Trust may be distributed to individuals at the unfettered discretion of the trustees, from time to time. At the year end the company held £25,100 of shares in Thornybolt (No 55) and £3,000 in cash.

9 STOCKS

	2001 £	As restated 2000 £
Finished goods and goods for resale	<u>97,339</u>	<u>74,267</u>

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

10 DEBTORS

	2001	As restated 2000
	£	£
Trade debtors	702,583	975,146
Amounts owed by group undertakings	44,644	-
Other debtors	88,397	6,799
Loans to directors	16,021	-
Deferred tax asset	84,785	-
Prepayments and accrued income	3,244	8,462
	<u>939,674</u>	<u>990,407</u>

Included above are the following amounts which are due after more than one year:

Trade debtors	6,750	47,611
Other debtors	15,900	-
	<u>22,650</u>	<u>47,611</u>

The recoverability of the deferred tax asset is dependant on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	As restated 2000
	£	£
Payments in advance	91,503	82,340
Trade creditors	358,413	392,844
Amounts owed to group undertakings	-	10,699
Corporation tax	451,859	246,944
Social security and other taxes	104,444	85,958
National advertising fund	666,730	347,192
Accruals and deferred income	77,348	47,091
Amounts due under finance leases	25,026	32,237
	<u>1,775,323</u>	<u>1,245,305</u>

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	As restated 2000 £
Amounts owed to group undertakings	43,900	50,000
Amounts due under finance leases	9,326	32,094
	<u>53,226</u>	<u>82,094</u>
Borrowings are repayable as follows:	2001 £	As restated 2000 £
Within one year		
Finance leases	25,026	32,237
After one and within two years		
Finance leases	9,326	25,026
After two and within five years		
Finance leases	-	7,068
	<u>34,352</u>	<u>64,331</u>

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 January 2001	16,050
Utilised during the year	(16,050)
At 31 December 2001	<u>-</u>

14 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

	Amount provided As restated
2001 £	2000 £
Accelerated capital allowances	<u>-</u> <u>16,050</u>

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

15 SHARE CAPITAL

	2001 £	As restated 2000 £
Authorised Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>850,000</u>	<u>850,000</u>

16 RESERVES

	Profit and loss account £
At 1 January 2001 as previously stated	261,734
Prior year adjustment	<u>144,107</u>
Retained reserves at 1 January 2001 as restated	405,841
Retained profit for the year	<u>542,884</u>
At 31 December 2001	<u>948,725</u>

17 PENSIONS

Defined Contribution Scheme

The company contributes to the personal pension schemes of certain employees and directors.

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	As restated 2000 £
Profit for the financial year	542,884	369,133
Dividends	-	<u>(150,000)</u>
Net increase in shareholders' funds	542,884	219,133
Shareholders' funds at 1 January 2001	<u>1,255,841</u>	<u>1,036,708</u>
Shareholders' funds at 31 December 2001	<u>1,798,725</u>	<u>1,255,841</u>

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	As restated 2000 £
Operating profit	756,525	561,325
Depreciation	96,149	54,452
Loss on sale of tangible fixed assets	-	25
Increase in stocks	(23,072)	(6,925)
Decrease in debtors	135,518	(346,159)
Increase in creditors	326,214	422,989
Net cash inflow from continuing operating activities	<u>1,291,334</u>	<u>685,707</u>

20 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2001 £	Cash flow £	At 31 December 2001 £
Cash in hand and at bank	1,113,149	1,016,792	2,129,941
Finance leases	(64,331)	29,979	(34,352)
Current asset investments	209,600	(11,107)	198,493
	<u>1,258,418</u>	<u>1,035,664</u>	<u>2,294,082</u>

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	As restated 2000 £
Increase in cash in the year	1,016,792	375,343
Cash outflow from finance leases in the year	29,979	25,097
Cash inflow from (decrease)/increase in current asset investments	(11,107)	9,600
Change in net debt resulting from cashflows	<u>1,035,664</u>	<u>410,040</u>
Inception of finance leases	-	(66,963)
Movement in net debt in the year	<u>1,035,664</u>	<u>343,077</u>
Net funds at 1 January 2001	<u>1,258,418</u>	<u>915,341</u>
Net funds at 31 December 2001	<u>2,294,082</u>	<u>1,258,418</u>

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

22 CAPITAL COMMITMENTS

	2001	As restated 2000
	£	£
Contracted for but not provided in these statements	<u>38,214</u>	<u>-</u>

23 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2001 or 31 December 2000.

24 LEASING COMMITMENTS

Operating lease payments amounting to £30,000 (2000: £30,000) are due within one year. The leases to which these amounts relate expire as follows:

	2001	2000
	Land and buildings	Land and buildings
	£	£
Between one and five years	<u>30,000</u>	<u>30,000</u>

25 ULTIMATE PARENT UNDERTAKING & CONTROLLING RELATED PARTY

The directors consider that the ultimate parent undertaking of this company is its parent company Spectrum Holdings Limited.

Mr M Lusty is this company's ultimate controlling related party by virtue of his majority shareholding in Spectrum Holdings Ltd.

SPECTRUM FRANCHISING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

For the year ended 31 December 2001

26 TRANSACTIONS WITH DIRECTORS

Amounts due in respect of loans, quasi-loans and credit transactions by directors were as follows:

Name of director and connected person	Amount outstanding		Maximum liability during year	Interest due not paid
	2001	2000		
	£	£	£	£
Mr M Lusty	16,021	-	132,762	-

Other transactions with directors were as follows:

Mr M Lusty owns the property used by the company. Rent payable to Mr M Lusty during the year totalled £30,000 (2000: £30,000).

The company made payments totalling £12,508 (2000: £26,410) to Mr C Roche in return for accounting services provided in the year.

27 RELATED PARTY TRANSACTIONS

The company made sales in the year of £18,361 (2000: £nil) to its fellow subsidiary, The Refinishing Company Ltd.

The amounts owed by its fellow subsidiary, The Refinishing Company Ltd, at 31 December 2001 was £44,644 (2000: £nil).

The amounts owed to its fellow subsidiary, The Refinishing Company Ltd, at 31 December 2001 was £nil (2000: £10,699).

The amounts owed to its parent company, Spectrum Holdings Ltd, at 31 December 2001 was £43,900 (2000: £50,000).

During the year the company also made a loan of £65,000 to Melvin Lusty's pension scheme. This loan was outstanding at 31 December 2001.

28 PRIOR YEAR ADJUSTMENT

This represents the correction of a fundamental accounting error. During 1999 the company made a contribution to an AESOP which was incorrectly treated as a revenue deduction. The contribution was £200,000, and the corporation tax relief claimed was £65,493. An additional adjustment has been made in respect of £9,600 interest received on the monies held on deposit.

SPECTRUM FRANCHISING LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	2001 £	2001 £	As restated 2000 £	As restated 2000 £
Turnover				
Sales		3,509,525		2,870,012
Cost of sales				
Purchases	882,315		1,149,597	
Wages	64,534		12,564	
		(946,849)		(1,162,161)
Gross profit		2,562,676		1,707,851
Overheads				
Employment costs	1,147,986		677,929	
Repairs, renewals and property expenses	103,817		106,684	
Travel and motor expenses	52,975		53,766	
Promotional expenses	130,841		71,934	
Bank charges	9,008		5,405	
Discounts allowed and received	(8)		-	
General	220,279		176,331	
Depreciation	96,149		54,452	
Loss on disposal of fixed assets	-		25	
Shares allocated in the year to employees	45,104		-	
		(1,806,151)		(1,146,526)
Interest				
Bank interest received	(76,658)		(68,462)	
HP/finance interest	5,181		2,611	
Other interest payable	14,276		-	
		57,201		65,851
Net profit for the year before taxation		813,726		627,176