

EXPENSE REDUCTION ANALYSTS LIMITED

REPORT AND ACCOUNTS
31ST DECEMBER 1997

CROUCH CHAPMAN
Chartered Accountants
62 Wilson Street
London EC2A 2BU



EXPENSE REDUCTION ANALYSTS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and accounts for the first period ended 31st December 1997.

INCORPORATION

The company was incorporated on 16th July, 1996 as Paperpower Limited. The company name was changed on 6th September, 1996 following a special resolution to Expense Reduction Analysts Limited.

REVIEW OF ACTIVITIES

The principal activity of the company is that of business consultants providing services wholly within the United Kingdom. Trading commenced in December 1996.

The results for the period are set out on page 4. The directors do not recommend the payment of a dividend.

DIRECTORS

The directors of the company at 31st December, 1997 and their beneficial interest in the shares of the company were as follows:

		Ordinary shares of £1 each 31.12.97
J.C. ALLISON	(Appointed 28th August 1996)	1
J.L. GOODHARDT	(Appointed 28th August 1996)	-

DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on a 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EXPENSE REDUCTION ANALYSTS LIMITED

REPORT OF THE DIRECTORS

- continued

AUDITORS

Messrs. Crouch Chapman were appointed auditors. They have signified their willingness to continue in office and a resolution for their re-appointment will be proposed at the annual general meeting.

TAXATION STATUS

The close company provisions of the Income and Corporation Taxes Act, 1988 apply to the company.

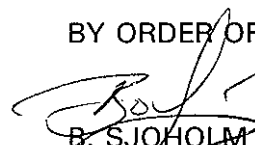
SMALL COMPANIES EXEMPTION

The directors' report is prepared in accordance with special provisions of part VII of the Companies Act 1985 relating to small companies.

60 Albert Court
Prince Consort Road
Knightsbridge
London SW7 2BH

13TH August 1998

BY ORDER OF THE BOARD


B. SJOHOLM
Secretary

REPORT OF THE AUDITORS

TO THE SHAREHOLDERS OF EXPENSE REDUCTION ANALYSTS LIMITED

We have audited the financial statements on pages 4 to 8 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 the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

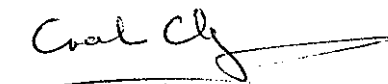
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December, 1997 and of its results for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

62 Wilson Street
London EC2A 2BU


CROUCH CHAPMAN

Chartered Accountants
Registered Auditors

13TH AUGUST 1998

EXPENSE REDUCTION ANALYSTS LIMITED

PROFIT AND LOSS ACCOUNT PERIOD ENDED 31ST DECEMBER 1997

	Notes	£
TURNOVER	1	609,009
Cost of sales		<u>158,084</u>
GROSS PROFIT		450,925
Administrative expenses		<u>464,488</u>
OPERATING LOSS	2	(13,563)
Interest payable		<u>755</u>
LOSS BEFORE AND AFTER TAXATION	3	<u><u>(14,318)</u></u>

CONTINUING OPERATIONS

The company commenced trading in December 1996 and none of its activities were discontinued since that date.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than those dealt with in the profit and loss account.

EXPENSE REDUCTION ANALYSTS LIMITED

BALANCE SHEET 31ST DECEMBER 1997

	Notes	£	£
FIXED ASSETS			
Tangible fixed assets	4		2,779
CURRENT ASSETS			
Debtors	5	120,683	
CREDITORS			
Amounts falling due within one year	6	(137,778)	
NET CURRENT LIABILITIES			(17,095)
NET LIABILITIES			(14,316)
CAPITAL AND RESERVES			
Called up share capital	7		2
Profit and loss account			(14,318)
			(14,316)

The accounts are prepared in accordance with the special provisions of part vii of the Companies Act 1985 relating to small companies.

John Goodbrandt. DIRECTOR

Approved by the Board on 13TH August 1998

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE ACCOUNTS PERIOD ENDED 31ST DECEMBER 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards. A summary of the more important policies, which have been applied consistently, is set out below:

Accounting Convention

These accounts have been prepared under the historical cost convention.

Turnover

Turnover represents income from the company's principal activity and is stated net of Value Added Tax.

Depreciation

Depreciation is provided so as to write off the cost of fixed assets in equal annual instalments over their expected useful lives at the rates shown below:

Office equipment	25%
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Deferred Taxation

Provision is made using the liability method for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

2. OPERATING LOSS

The operating loss is stated after charging:

Director's remuneration	£
Auditors' remuneration	-
Depreciation	2,500
Hire of vehicles	927
	4,399

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE ACCOUNTS

- continued

3. TAXATION

No corporation tax is chargeable due to the loss incurred.

4. TANGIBLE ASSETS

	Office Equipment £
COST	
Additions in period	3,706
31st December 1997	<u>3,706</u>
DEPRECIATION	
Charge for period	927
31st December 1997	<u>927</u>
NET BOOK VALUE	
As at 31st December 1997	<u>2,779</u>

5. DEBTORS

	1997 £
Trade debtors	74,775
Other debtors	20,908
Prepaid promotional expenditure	25,000
	<u>120,683</u>

6. CREDITORS

	1997 £
Amounts falling due within one year:	
Bank overdraft	4,587
Clients' deposits	33,032
Trade creditors	49,550
Other creditors	27,244
Other taxation and social security	20,817
Accruals and deferred income	2,548
	<u>137,778</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE ACCOUNTS

- continued

7. SHARE CAPITAL	1997
	£
Authorised:	
Equity interest	
100 Ordinary shares of £1 each	100
	<u> </u>
Allotted, called up and fully paid:	
Equity interest	
Ordinary shares of £1 each	2
	<u> </u>
8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	£
Issue of share capital	2
Loss for the period	(14,318)
	<u> </u>
	(14,316)
	<u> </u>
REPRESENTED BY:	
Equity interest	(14,316)
	<u> </u>