

EXPENSE REDUCTION ANALYSTS LIMITED

REPORT AND ACCOUNTS
31ST DECEMBER 1998

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 year ended 31st December 1998.

REVIEW OF ACTIVITIES

The principal activity of the company is that of business consultants providing services wholly within the United Kingdom:

The results for the year 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, 1998 and their beneficial interest in the shares of the company were as follows:

	Ordinary shares of £1 each	
	31.12.98	01.01.98
J.C. ALLISON	1	1
J.L. GOODHARDT (Resigned 24th September 1998)	-	-
J.A. WETTON (Appointed 24th September 1998)	-	-

DIRECTORS' 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.

AUDITORS

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

EXPENSE REDUCTION ANALYSTS LIMITED

REPORT OF THE DIRECTORS

- continued

TAXATION STATUS

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

YEAR 2000

The directors do not currently envisage compliance costs in relation to the year 2000 millenium bug issue will be material.

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.

St. Paul's Gate
Cross Street
Winchester
Hants SO23 8SZ

14 JUL 1999

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a small flourish.

R. LEWIS
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

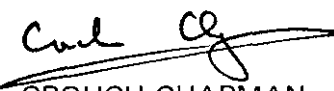
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 1998 and of its results for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

62 Wilson Street
London EC2A 2BU


CROUCH CHAPMAN

Chartered Accountants
Registered Auditors

14 JUL 1999

EXPENSE REDUCTION ANALYSTS LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST DECEMBER 1998

	Notes	Year ended 31.12.98 £	Period ended 31.12.97 £
TURNOVER	1	858,368	609,009
Cost of sales		214,030	158,084
GROSS PROFIT		644,338	450,925
Administrative expenses		633,913	464,488
OPERATING PROFIT/(LOSS)	2	10,425	(13,563)
Interest payable		1,148	755
PROFIT/(LOSS) BEFORE TAXATION		9,277	(14,318)
Taxation	3	(1,526)	-
PROFIT/(LOSS) FOR THE YEAR		7,751	(14,318)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(14,318)	-
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		(6,567)	(14,318)

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

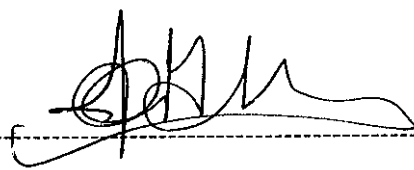
The company has no recognised gains or losses other than those dealt with in the profit and loss account.

EXPENSE REDUCTION ANALYSTS LIMITED

BALANCE SHEET 31ST DECEMBER 1998

	Notes	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible fixed assets	4		29,802		2,779
CURRENT ASSETS					
Debtors	5	88,762		120,683	
Cash at bank		42,320		-	
		<u>131,082</u>		<u>120,683</u>	
CREDITORS: Amounts falling due within one year	6	<u>(161,007)</u>		<u>(137,778)</u>	
NET CURRENT LIABILITIES			<u>(29,925)</u>		<u>(17,095)</u>
			(123)		(14,316)
CREDITORS: Amounts falling due after more than one year	7		<u>(6,442)</u>		<u>-</u>
			<u>(6,565)</u>		<u>(14,316)</u>
CAPITAL AND RESERVES					
Called up share capital	8		2		2
Profit and loss account			<u>(6,567)</u>		<u>(14,318)</u>
			<u>(6,565)</u>		<u>(14,316)</u>

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

) DIRECTOR

Approved by the Board on 14th July 1999

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

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 and on a going concern basis which is dependent upon the support of the directors to provide adequate working capital for the foreseeable future.

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:

Fixtures and fittings	20%
Office equipment	25%

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.

Leasing and Hire Purchase

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Finance charges and interest are taken to the profit and loss account in constant proportion to the remaining balance of capital repayments or net obligations outstanding.

Cash Flow Statement

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Cash flow Statements".

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

2. OPERATING PROFIT/(LOSS)	1998 £	1997 £
The operating profit/(loss) is stated after charging:		
Director's remuneration	-	-
Auditors' remuneration	3,800	2,500
Depreciation	2,586	927
Hire of vehicles	9,806	4,399
	<u> </u>	<u> </u>

3. TAXATION	1998 £	1997 £
UK Corporation tax chargeable at 21%	1,526	-
	<u> </u>	<u> </u>

4. TANGIBLE ASSETS	Fixtures & Fittings £	Office Equipment £	Total £
COST			
1st January 1998	-	3,706	3,706
Additions	12,212	17,397	29,609
	<u> </u>	<u> </u>	<u> </u>
31st December 1998	12,212	21,103	33,315
	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION			
1st January 1998	-	927	927
Charge for year	166	2,420	2,586
	<u> </u>	<u> </u>	<u> </u>
31st December 1998	166	3,347	3,513
	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE			
As at 31st December 1998	12,046	17,756	29,802
	<u> </u>	<u> </u>	<u> </u>
As at 31st December 1997	-	2,779	2,779
	<u> </u>	<u> </u>	<u> </u>

Assets held under finance leases are stated at net book value of £11,913.

5. DEBTORS	1998 £	1997 £
Trade debtors	68,807	74,775
Other debtors	3,967	20,908
Prepayments	15,988	25,000
	<u> </u>	<u> </u>
	88,762	120,683
	<u> </u>	<u> </u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

6. CREDITORS	1998 £	1997 £
Amounts falling due within one year:		
Bank overdraft	-	4,587
Clients' deposits	11,003	33,032
Obligations under finance leases (See note 7)	3,220	-
Trade creditors	107,331	49,550
Other creditors	5,998	27,244
Corporation tax	1,526	-
Other taxation and social security	27,988	20,817
Accruals and deferred income	3,941	2,548
	<u>161,007</u>	<u>137,778</u>

7. OBLIGATIONS UNDER FINANCE LEASES	1998 £	1997 £
Falling due within one year	3,843	-
Falling due between 2 and 5 years	7,687	-
Less: Finance charges allocated to future periods	(1,868)	-
	<u>9,662</u>	<u>-</u>

8. SHARE CAPITAL	1998 £	1997 £
Authorised:		
Equity interest		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
Equity interest		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	1998 £	1997 £
Issue of share capital	-	2
Profit/(Loss) for the period	7,751	(14,318)
Opening shareholders' funds	(14,316)	-
Closing shareholders' funds	<u>(6,565)</u>	<u>(14,316)</u>
REPRESENTED BY:		
Equity interests	<u>(6,565)</u>	<u>(14,316)</u>

10. DIRECTORS INTERESTS IN CONTRACTS

J C Allison is a director of Franchise Alliance Limited and this company received fees of £123,000, (1997:£66,920) in respect of consultancy services provided during the year.

J A Wetton is a director of Expense Reduction Analysts International Limited, a company registered in the Bahamas and this company received fees of £2,250 in respect of consultancy services provided during the year.