

EXPENSE REDUCTION ANALYSTS LIMITED

REPORT AND ACCOUNTS
31ST DECEMBER 1999

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 1999.

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, 1999 and their beneficial interest in the shares of the company were as follows:

	Ordinary shares of £1 each	
	31.12.99	01.01.99
J.C. ALLISON	1	1
J.A. WETTON	-	-

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.

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

- 8 AUG 2000

BY ORDER OF THE BOARD


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 1999 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

- 8 AUG 2000



CROUCH CHAPMAN

Chartered Accountants
Registered Auditors

EXPENSE REDUCTION ANALYSTS LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST DECEMBER 1999

	Notes	1999 £	1998 £
TURNOVER	1	1,135,212	858,368
Cost of sales		248,154	214,030
GROSS PROFIT		887,058	644,338
Administrative expenses		807,363	633,913
OPERATING PROFIT	2	79,695	10,425
Interest payable		9,944	1,148
PROFIT BEFORE TAXATION		69,751	9,277
Taxation	3	(15,694)	(1,526)
PROFIT FOR THE YEAR		54,057	7,751
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(6,567)	(14,318)
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		47,490	(6,567)

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.

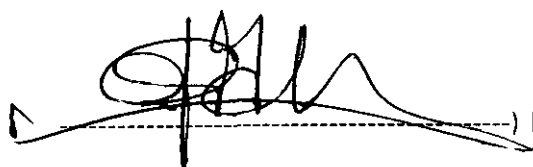
The notes on pages 6 to 9 form part of these financial statements.

EXPENSE REDUCTION ANALYSTS LIMITED

BALANCE SHEET
31ST DECEMBER 1999

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible fixed assets	4		67,282		29,802
CURRENT ASSETS					
Debtors	5	89,266		88,762	
Cash at bank		12,143		42,320	
			101,409	131,082	
CREDITORS: Amounts falling due within one year	6	(85,668)		(161,007)	
NET CURRENT ASSETS/(LIABILITIES)			15,741	(29,925)	
			83,023	(123)	
CREDITORS: Amounts falling due after more than one year	7		(35,531)	(6,442)	
			47,492	(6,565)	
CAPITAL AND RESERVES					
Called up share capital	8		2	2	
Profit and loss account			47,490	(6,567)	
			47,492	(6,565)	

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 **- 8 AUG 2000**

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

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%
Motor vehicles	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	1999 £	1998 £
The operating profit is stated after charging:		
Auditors' remuneration	3,800	3,800
Depreciation		
- Owned assets	4,170	2,302
- Finance leases	17,842	284
Operating lease rentals	1,974	9,806
	<u> </u>	<u> </u>

3. TAXATION	1999 £	1998 £
UK Corporation tax chargeable at 20.25% (1998: 21%)	15,694	1,526
	<u> </u>	<u> </u>

4. TANGIBLE ASSETS	Motor Vehicles £	Fixtures & Fittings £	Office Equipment £	Total £
COST				
1st January 1999	-	12,212	21,103	33,315
Additions	44,687	11,581	3,224	59,492
31st December 1999	<u>44,687</u>	<u>23,793</u>	<u>24,327</u>	<u>92,807</u>
DEPRECIATION				
1st January 1999	-	166	3,347	3,513
Charge for year	11,172	4,758	6,082	22,012
31st December 1999	<u>11,172</u>	<u>4,924</u>	<u>9,429</u>	<u>25,525</u>
NET BOOK VALUE				
As at 31st December 1999	<u>33,515</u>	<u>18,869</u>	<u>14,898</u>	<u>67,282</u>
As at 31st December 1998	<u>-</u>	<u>12,046</u>	<u>17,756</u>	<u>29,802</u>

The gross amounts and related accumulated depreciation in respect of fixed assets included in the above which are held under finance leases are as follows:

	1999 £	1998 £
Cost	75,020	22,073
Depreciation	19,014	284
Net book values	<u>56,006</u>	<u>21,789</u>

NOTES TO THE FINANCIAL STATEMENTS

- continued

5. DEBTORS	1999 £	1998 £
Trade debtors	75,956	68,807
Other debtors	5,649	3,967
Prepayments	7,661	15,988
	<u>89,266</u>	<u>88,762</u>

Included within other debtors is an advance to J.C. Allison of £1,229 in respect of a travel expenses advance.

6. CREDITORS	1999 £	1998 £
Amounts falling due within one year:		
Clients' deposits	5,071	11,003
Obligations under finance leases (See note 7)	18,818	3,220
Trade creditors	13,473	107,331
Other creditors	9,579	5,998
Corporation tax	15,694	1,526
Other taxation and social security	18,259	27,988
Accruals and deferred income	4,774	3,941
	<u>85,668</u>	<u>161,007</u>

7. OBLIGATIONS UNDER FINANCE LEASES	1999 £	1998 £
Falling due within one year	25,218	3,843
Falling due between 2 and 5 years	39,186	7,687
Less: Finance charges allocated to future periods	(10,055)	(1,868)
	<u>54,349</u>	<u>9,662</u>

8. SHARE CAPITAL	1999 £	1998 £
Authorised:		
Equity interest		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
Equity interest		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

9. OPERATING LEASES

At 31st December 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	Office Equipment £
Operating leases which expire:	
Within one year	-
In the second to fifth years inclusive	1,966
Over five years	-
	<u>1,966</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	1999 £	1998 £
Profit for the year	53,067	7,751
Opening shareholders' funds	(6,565)	(14,316)
Closing shareholders' funds	<u>46,502</u>	<u>(6,565)</u>
REPRESENTED BY:		
Equity interests	<u>46,502</u>	<u>(6,565)</u>

11. DIRECTORS' INTERESTS IN CONTRACTS

J C Allison is a director of Franchise Alliance Limited and this company received fees of £84,878, (1998:£123,000) in respect of consultancy services provided during the year.