

**EXPENSE REDUCTION ANALYSTS LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31ST DECEMBER 2000**



**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 2000.

## 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, 2000 and their beneficial interest in the shares of the company were as follows:

|              | Ordinary shares of £1 each |                |
|--------------|----------------------------|----------------|
|              | 31 December 2000           | 1 January 2000 |
| 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.

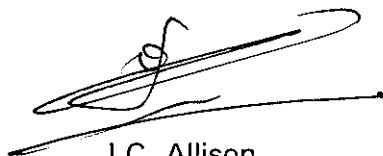
SMALL COMPANIES EXEMPTION

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

31/10/2001

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to be 'J.C. Allison', written over a horizontal line.

J.C. Allison  
Director

## 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, which are required to be prepared in accordance with applicable law and United Kingdom accounting standards. 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 United Kingdom 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 2000 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

62 Wilson Street  
London EC2A 2BU

31/10/2001



CROUCH CHAPMAN

Chartered Accountants  
Registered Auditors

# EXPENSE REDUCTION ANALYSTS LIMITED

## PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST DECEMBER 2000

|                                         | Notes | 2000<br>£ | 1999<br>£ |
|-----------------------------------------|-------|-----------|-----------|
| TURNOVER                                | 1     | 909,541   | 1,135,212 |
| Cost of sales                           |       | (99,209)  | (248,154) |
| GROSS PROFIT                            |       | 810,332   | 887,058   |
| Administrative expenses                 |       | (819,374) | (818,214) |
| OPERATING (LOSS)/PROFIT                 | 2     | (9,042)   | 68,844    |
| Interest payable                        |       | (9,615)   | (9,944)   |
| (LOSS)/PROFIT BEFORE TAXATION           |       | (18,657)  | 58,900    |
| Taxation                                | 3     | 1,387     | (13,723)  |
| (LOSS)/PROFIT FOR THE YEAR              |       | (17,270)  | 45,177    |
| PROFIT AND LOSS ACCOUNT BROUGHT FORWARD |       | 38,610    | (6,567)   |
| PROFIT AND LOSS ACCOUNT CARRIED FORWARD |       | 21,340    | 38,610    |

## 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.

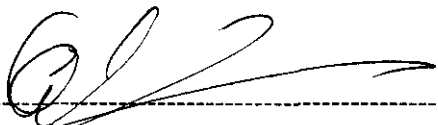
The notes on pages 6 to 9 form part of these financial statements.

# EXPENSE REDUCTION ANALYSTS LIMITED

## BALANCE SHEET 31ST DECEMBER 2000

|                                                                | Notes | 2000<br>£        | 1999<br>£       |
|----------------------------------------------------------------|-------|------------------|-----------------|
| <b>FIXED ASSETS</b>                                            |       |                  |                 |
| Tangible fixed assets                                          | 4     | 47,105           | 67,282          |
| <b>CURRENT ASSETS</b>                                          |       |                  |                 |
| Debtors                                                        | 5     | 137,172          | 78,415          |
| Cash at bank                                                   |       | 2,150            | 12,143          |
|                                                                |       | <u>139,322</u>   | <u>90,558</u>   |
| <b>CREDITORS: Amounts falling due within one year</b>          | 6     | <u>(164,569)</u> | <u>(83,697)</u> |
| <b>NET CURRENT (LIABILITIES)/ASSETS</b>                        |       | <u>(25,247)</u>  | <u>6,861</u>    |
|                                                                |       | 21,858           | 74,143          |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 7     | <u>(516)</u>     | <u>(35,531)</u> |
|                                                                |       | <u>21,342</u>    | <u>38,612</u>   |
| <b>CAPITAL AND RESERVES</b>                                    |       |                  |                 |
| Called up share capital                                        | 8     | 2                | 2               |
| Profit and loss account                                        |       | 21,340           | 38,610          |
|                                                                |       | <u>21,342</u>    | <u>38,612</u>   |

The financial statements 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

31 / 10 / 2001

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

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED 31ST DECEMBER 2000

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 LOSS                            | 2000<br>£         | 1999<br>£         |
|----------------------------------------------|-------------------|-------------------|
| The operating loss is stated after charging: |                   |                   |
| Auditors' remuneration                       | 4,700             | 3,800             |
| Depreciation                                 |                   |                   |
| - Owned assets                               | 4,000             | 4,170             |
| - Finance leases                             | 18,605            | 17,842            |
| Operating lease rentals                      | 1,196             | 1,974             |
|                                              | <u>          </u> | <u>          </u> |

| 3. TAXATION                                        | 2000<br>£         | 1999<br>£         |
|----------------------------------------------------|-------------------|-------------------|
| UK corporation tax (recoverable)/payable at 20.25% | (1,387)           | 13,723            |
|                                                    | <u>          </u> | <u>          </u> |

| 4. TANGIBLE ASSETS       | Motor<br>Vehicles<br>£ | Fixtures &<br>Fittings<br>£ | Office<br>Equipment<br>£ | Total<br>£    |
|--------------------------|------------------------|-----------------------------|--------------------------|---------------|
| COST                     |                        |                             |                          |               |
| 1st January 2000         | 44,687                 | 23,793                      | 24,327                   | 92,807        |
| Additions                | -                      | 269                         | 2,159                    | 2,428         |
| 31st December 2000       | <u>44,687</u>          | <u>24,062</u>               | <u>26,486</u>            | <u>95,235</u> |
| DEPRECIATION             |                        |                             |                          |               |
| 1st January 2000         | 11,172                 | 4,924                       | 9,429                    | 25,525        |
| Charge for year          | 11,171                 | 4,813                       | 6,621                    | 22,605        |
| 31st December 2000       | <u>22,343</u>          | <u>9,737</u>                | <u>16,050</u>            | <u>48,130</u> |
| NET BOOK VALUE           |                        |                             |                          |               |
| As at 31st December 2000 | <u>22,344</u>          | <u>14,325</u>               | <u>10,436</u>            | <u>47,105</u> |
| As at 31st December 1999 | <u>33,515</u>          | <u>18,869</u>               | <u>14,898</u>            | <u>67,282</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:

|                 | 2000<br>£     | 1999<br>£     |
|-----------------|---------------|---------------|
| Cost            | 75,020        | 75,020        |
| Depreciation    | 37,619        | 19,014        |
| Net book values | <u>37,401</u> | <u>56,006</u> |

# EXPENSE REDUCTION ANALYSTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

- continued

| 5. DEBTORS                  | 2000<br>£      | 1999<br>£     |
|-----------------------------|----------------|---------------|
| Trade debtors               | 128,877        | 65,105        |
| Corporation tax recoverable | 1,387          | -             |
| Other debtors               | 1,331          | 5,649         |
| Prepayments                 | 5,577          | 7,661         |
|                             | <u>137,172</u> | <u>78,415</u> |

Included within other debtors is an advance to J.C. Allison of £1,107 in respect of a travel expenses advance.

| 6. CREDITORS                                  | 2000<br>£      | 1999<br>£     |
|-----------------------------------------------|----------------|---------------|
| Amounts falling due within one year:          |                |               |
| Bank overdraft                                | 47,925         | -             |
| Clients' deposits                             | 2,082          | 5,071         |
| Obligations under finance leases (See note 7) | 35,014         | 18,818        |
| Trade creditors                               | 46,078         | 13,473        |
| Other creditors                               | -              | 9,579         |
| Corporation tax                               | 319            | 13,723        |
| Other taxation and social security            | 13,398         | 18,259        |
| Accruals and deferred income                  | 19,753         | 4,774         |
|                                               | <u>164,569</u> | <u>83,697</u> |

| 7. OBLIGATIONS UNDER FINANCE LEASES               | 2000<br>£     | 1999<br>£     |
|---------------------------------------------------|---------------|---------------|
| Falling due within one year                       | 38,567        | 25,218        |
| Falling due between two and five years            | 616           | 39,186        |
| Less: Finance charges allocated to future periods | (3,653)       | (10,055)      |
|                                                   | <u>35,530</u> | <u>54,349</u> |

# EXPENSE REDUCTION ANALYSTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued

| 8. SHARE CAPITAL                    | 2000<br>£  | 1999<br>£  |
|-------------------------------------|------------|------------|
| 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>   |

## 9. OPERATING LEASES

At 31st December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

|                                        | Office<br>Equipment<br>£ |
|----------------------------------------|--------------------------|
| Operating leases which expire:         |                          |
| Within one year                        | -                        |
| In the second to fifth years inclusive | 1,196                    |
| Over five years                        | -                        |
|                                        | <u>1,196</u>             |

| 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS | 2000<br>£     | 1999<br>£      |
|--------------------------------------------------------|---------------|----------------|
| (Loss)/Profit for the year                             | (17,270)      | 45,177         |
| Opening shareholders' funds                            | <u>38,612</u> | <u>(6,565)</u> |
| Closing shareholders' funds                            | <u>21,342</u> | <u>38,612</u>  |
| REPRESENTED BY:                                        |               |                |
| Equity interests                                       | <u>21,342</u> | <u>38,612</u>  |

## 11. DIRECTORS' INTERESTS IN CONTRACTS

J.C. Allison is a director of Franchise Alliance Limited and this company received fees of £77,941, (1999: £84,878) in respect of consultancy services provided during the year.