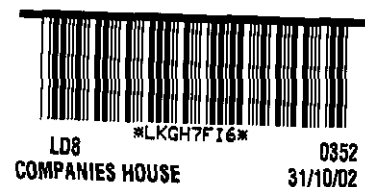


EXPENSE REDUCTION ANALYSTS LIMITED

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2001

CROUCH CHAPMAN
Chartered Accountants
62 Wilson Street
London EC2A 2BU



EXPENSE REDUCTION ANALYSTS LIMITED

REPORT OF THE DIRECTOR

The director submits his report and accounts for the year ended 31st December 2001.

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 director does not recommend the payment of a dividend.

DIRECTOR

The director of the company at 31st December, 2001 and his beneficial interest in the shares of the company was as follows:

	Ordinary shares of £1 each	
	31 December 2001	1 January 2001
J.C. ALLISON	1	1

DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and enable him to ensure that the accounts comply with the Companies Act 1985. He is 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.

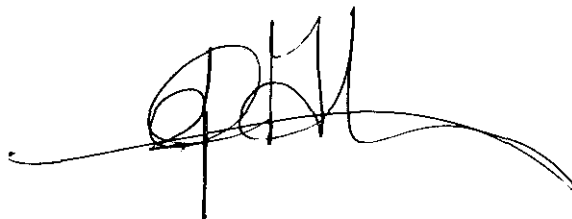
SMALL COMPANIES EXEMPTION

The director's 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

30th October 2002

BY ORDER OF THE BOARD

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the left.

Director

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF EXPENSE REDUCTION ANALYSTS LIMITED

We have audited the financial statements of Expense Reduction Analysts Limited for the year ended 31st December 2001 on pages 4 to 9. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective Responsibilities of Director and Auditors

The director's responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Director's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes 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 director 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 as at 31st December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

62 Wilson Street
London EC2A 2BU

31st October 2002



CROUCH CHAPMAN

Chartered Accountants
Registered Auditors

EXPENSE REDUCTION ANALYSTS LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST DECEMBER 2001

	Notes	2001 £	2000 £
TURNOVER	1	960,830	909,541
Cost of sales		(84,500)	(99,209)
GROSS PROFIT		876,330	810,332
Administrative expenses		(814,939)	(819,374)
OPERATING PROFIT/(LOSS)	2	61,391	(9,042)
Interest payable		(6,144)	(9,615)
PROFIT/(LOSS) BEFORE TAXATION		55,247	(18,657)
Taxation	3	(13,750)	1,387
PROFIT/(LOSS) FOR THE YEAR		41,497	(17,270)
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		21,340	38,610
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		62,837	21,340

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.

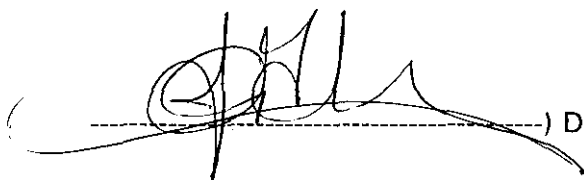
The notes on pages 6 to 9 form part of these financial statements.

EXPENSE REDUCTION ANALYSTS LIMITED

BALANCE SHEET 31ST DECEMBER 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible fixed assets	4		30,346		47,105
CURRENT ASSETS					
Debtors	5	130,688		137,172	
Cash at bank		12,330		2,150	
		<u>143,018</u>		<u>139,322</u>	
CREDITORS: Amounts falling due within one year	6	(110,525)		(164,569)	
NET CURRENT ASSETS/(LIABILITIES)			<u>32,493</u>		<u>(25,247)</u>
			<u>62,839</u>		<u>21,858</u>
CREDITORS: Amounts falling due after more than one year	7		-		(516)
			<u>62,839</u>		<u>21,342</u>
CAPITAL AND RESERVES					
Called up share capital	8		2		2
Profit and loss account			62,837		21,340
			<u>62,839</u>		<u>21,342</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 31st October 2002

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

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST DECEMBER 2001

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	2001 £	2000 £
The operating profit is stated after charging:		
Auditors' remuneration	4,500	4,700
Depreciation		
- Owned assets	8,490	4,000
- Finance leases	14,823	18,605
Operating lease rentals	4,500	1,196
	<u> </u>	<u> </u>

3. TAXATION	2001 £	2000 £
UK corporation tax at 20%/(recoverable)	13,750	(1,387)
	<u> </u>	<u> </u>

4. TANGIBLE ASSETS	Motor Vehicles £	Fixtures & Fittings £	Office Equipment £	Total £
COST				
1st January 2001	44,687	24,062	26,486	95,235
Additions	-	-	6,554	6,554
31st December 2001	<u>44,687</u>	<u>24,062</u>	<u>33,040</u>	<u>101,789</u>
DEPRECIATION				
1st January 2001	22,343	9,737	16,050	48,130
Charge for year	11,172	4,811	7,330	23,313
31st December 2001	<u>33,515</u>	<u>14,548</u>	<u>23,380</u>	<u>71,443</u>
NET BOOK VALUE				
As at 31st December 2001	<u>11,172</u>	<u>9,514</u>	<u>9,660</u>	<u>30,346</u>
As at 31st December 2000	<u>22,344</u>	<u>14,325</u>	<u>10,436</u>	<u>47,105</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:

	2001 £	2000 £
Cost	30,333	75,020
Depreciation	19,599	37,619
Net book values	<u>10,734</u>	<u>37,401</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued

5. DEBTORS	2001 £	2000 £
Trade debtors	124,976	128,877
Corporation tax recoverable	1,068	1,387
Other debtors	-	1,331
Prepayments	4,644	5,577
	<u>130,688</u>	<u>137,172</u>

6. CREDITORS	2001 £	2000 £
Amounts falling due within one year:		
Bank overdraft	-	47,925
Clients' deposits	-	2,082
Obligations under finance leases (See note 7)	516	35,014
Trade creditors	50,468	46,078
Corporation tax	13,750	319
Other taxation and social security	8,440	13,398
Accruals and deferred income	37,351	19,753
	<u>110,525</u>	<u>164,569</u>

7. OBLIGATIONS UNDER FINANCE LEASES	2001 £	2000 £
Falling due within one year	616	38,567
Falling due between two and five years	-	616
Less: Finance charges allocated to future periods	(100)	(3,653)
	<u>516</u>	<u>35,530</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

8. SHARE CAPITAL	2001 £	2000 £
Authorised:		
Equity interest		
100 Ordinary shares of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
Equity interest		
2 Ordinary shares of £1 each	2	2
	<u> </u>	<u> </u>

9. OPERATING LEASES

At 31st December 2001, 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	2,235
Over five years	-
	<u> </u>
	2,235
	<u> </u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	2001 £	2000 £
Profit/(Loss) for the year	41,497	(17,270)
Opening shareholders' funds	21,342	38,612
	<u> </u>	<u> </u>
Closing shareholders' funds	62,839	21,342
	<u> </u>	<u> </u>
REPRESENTED BY:		
Equity interests	62,839	21,342
	<u> </u>	<u> </u>

11. DIRECTORS INTERESTS IN CONTRACTS

J.C. Allison is a director of Franchise Alliance Limited and this company received fees of £103,200 (2000: £77,941) in respect of consultancy services provided during the year.