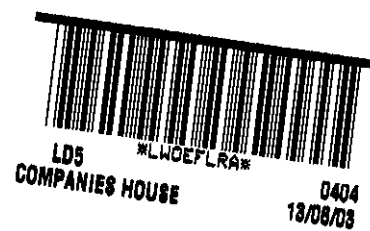


EXPENSE REDUCTION ANALYSTS LIMITED

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2002

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 2002.

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, 2002 and his beneficial interest in the shares of the company was as follows:

	Ordinary shares of £1 each	
	31 December 2002	1 January 2002
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 DIRECTOR

- continued

TAXATION STATUS

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

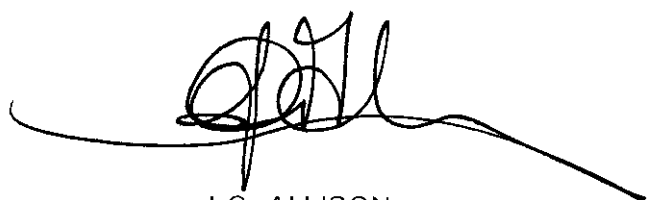
SMALL COMPANIES EXEMPTION

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

12th June 2003

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

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 2002 on pages 4 to 10. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

This report is made solely to the company's members, as a body, in accordance with S.235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

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.

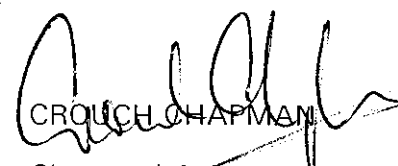
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2002 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

12th June 2003


CROUCH CHAPMAN
Chartered Accountants
Registered Auditors

EXPENSE REDUCTION ANALYSTS LIMITED

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 2002

	Notes	2002 £	2001 £
TURNOVER	1	1,329,359	960,830
Cost of sales		(106,163)	(84,500)
GROSS PROFIT		1,223,196	876,330
Administrative expenses		(1,020,966)	(814,939)
OPERATING PROFIT	2	202,230	61,391
Interest receivable		42	-
		202,272	61,391
Interest payable		(20,623)	(6,144)
PROFIT BEFORE TAXATION		181,649	55,247
Taxation	3	(40,678)	(13,750)
PROFIT FOR THE YEAR		140,971	41,497
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		62,837	21,340
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		203,808	62,837

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 for the above two financial periods.

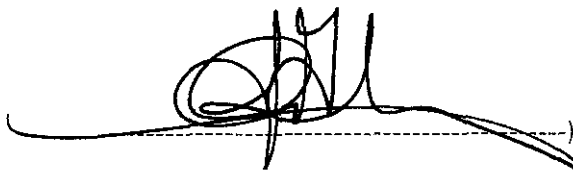
The notes on pages 6 to 10 form part of these financial statements.

EXPENSE REDUCTION ANALYSTS LIMITED

BALANCE SHEET 31ST DECEMBER 2002

	Notes	£	2002 £	2001 £
FIXED ASSETS				
Tangible fixed assets	4		17,489	30,346
CURRENT ASSETS				
Debtors	5	223,907		130,688
Cash at bank		136,283		12,330
		<u>360,190</u>		<u>143,018</u>
CREDITORS: Amounts falling due within one year	6	(173,869)		(110,525)
NET CURRENT ASSETS			<u>186,321</u>	<u>32,493</u>
			<u>203,810</u>	<u>62,839</u>
CAPITAL AND RESERVES				
Called up share capital	8		2	2
Profit and loss account			203,808	62,837
			<u>203,810</u>	<u>62,839</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 12th June 2003

The notes on pages 6 to 10 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2002

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

Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. It is the company's policy not to discount deferred tax to reflect the time value of money. The adoption of Financial Reporting Standard (FRS) 19 has resulted in a change in the deferred taxation accounting policy. Before 2002, the company provided for deferred tax using the liability method under Statement of Standard Accounting Practice (SSAP) 15. The change in accounting policy has not necessitated a prior year adjustment.

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. All other leases are treated as "operating leases" and the relevant annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

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	2002 £	2001 £
The operating profit is stated after charging:		
Auditors' remuneration	4,500	4,500
Depreciation		
- Owned assets	24,138	8,490
- Finance leases	-	14,823
Operating lease rentals	7,324	4,500

3. TAXATION	2002 £	2001 £
UK corporation tax at 19.25% (2001: 20%)	39,610	13,750
Under provision for previous year	1,068	-
	<u>40,678</u>	<u>13,750</u>

Factors Affecting Tax Charge For The Year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (19.25%). The difference is explained below.

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>181,649</u>	<u>55,247</u>
Corporation tax payable at 19.25% (2001: 20%)	34,967	11,050
Expenses not deductible for tax purposes	4,897	1,414
Non-taxable gain	(19)	-
Reversal of general bad debt provision	(1,925)	-
Depreciation in excess of capital allowances	1,690	1,256
Overprovision in previous year	-	30
Current tax charge	<u>39,610</u>	<u>13,750</u>

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

4. TANGIBLE ASSETS

	Motor Vehicles £	Fixtures & Fittings £	Office Equipment £	Total £
COST				
1st January 2002	44,687	24,062	33,040	101,789
Additions	-	1,976	9,305	11,281
Disposals	-	-	(1,500)	(1,500)
31st December 2002	44,687	26,038	40,845	111,570
DEPRECIATION				
1st January 2002	33,515	14,548	23,380	71,443
Charge for year	11,169	5,208	7,761	24,138
Disposals	-	-	(1,500)	(1,500)
31st December 2002	44,684	19,756	29,641	94,081
NET BOOK VALUE				
As at 31st December 2002	3	6,282	11,204	17,489
As at 31st December 2001	11,172	9,514	9,660	30,346

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:

	2002 £	2001 £
Cost	-	30,333
Depreciation	-	19,599
Net book values	-	10,734

5. DEBTORS

	2002 £	2001 £
Trade debtors	211,729	124,976
Corporation tax recoverable	-	1,068
Other debtors	4,396	-
Prepayments	7,782	4,644
	223,907	130,688

EXPENSE REDUCTION ANALYSTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- continued

6. CREDITORS	2002 £	2001 £
Amounts falling due within one year:		
Obligations under finance leases (See note 7)	-	516
Trade creditors	64,364	50,468
Corporation tax	39,610	13,750
Other taxation and social security	4,874	8,440
Accruals and deferred income	65,021	37,351
	<u>173,869</u>	<u>110,525</u>
7. OBLIGATIONS UNDER FINANCE LEASES	2002 £	2001 £
Falling due within one year	-	616
Falling due between two and five years	-	-
Less: Finance charges allocated to future periods	-	(100)
	<u>-</u>	<u>516</u>
8. SHARE CAPITAL	2002 £	2001 £
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 2002, 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	8,451
Over five years	-
	<u>8,451</u>

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2002 £	2001 £
Profit for the year	140,971	41,497
Opening shareholders' funds	62,839	21,342
	<u>203,810</u>	<u>62,839</u>
Closing shareholders' funds		
	<u>203,810</u>	<u>62,839</u>
REPRESENTED BY:		
Equity interests	<u>203,810</u>	<u>62,839</u>

11. DIRECTOR'S INTERESTS IN CONTRACTS

J.C. Allison is a director of Franchise Alliance Limited and this company received fees of £154,792 (2001: £103,200) in respect of consultancy and secretarial services provided during the year.

12. RELATED PARTY TRANSACTIONS

Consultancy fees totalling £49,645 were paid to R.G.A Enterprises Limited, a company controlled by R. Allison, the son of J.C. Allison.