

EXHIBIT H - FINANCIAL STATEMENTS

Attached as Exhibit H are the audited financial statements of the Franchisor for the past three (3) years.

Our fiscal year ends December 31.

**Anago Cleaning Systems, Inc. and Its Wholly-Owned Subsidiary
Anago Franchising, Inc.
Consolidated Financial Statements**

As of December 31, 2004

Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Consolidated Financial Statements
As of December 31, 2004

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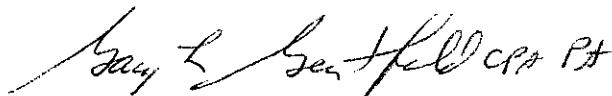
INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Anago Cleaning Systems, Inc. and its wholly-owned
Subsidiary Anago Franchising, Inc.:

We have audited the accompanying balance sheet of Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary Anago Franchising, Inc., as of December 31, 2004 and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary Anago Franchising, Inc. as of December 31, 2004 and the results of its' operations and its' cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Gary L. Gerstenfeld, CPA, P.A.
Atlanta, Georgia
April 15, 2005

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Anago Franchising, Inc.
Consolidated Balance Sheet
December 31, 2004

ASSETS

Current Assets		
Cash and cash equivalents	\$	44,445
Accounts receivable		118,876
Loan receivable		4,080
Notes receivable-current portion		<u>425,392</u>
Total Current Assets	\$	<u>592,793</u>
Fixed Assets: Machinery and equipment (net of accumulated depreciation of \$ 11,159)	\$	<u>10,703</u>
Non-Current Assets		
Notes receivable: non-current portion	\$	1,937,895
Due from Shareholder		157,252
Due from Affiliate		<u>-0-</u>
Total Non-Current Assets	\$	<u>2,095,147</u>
Total Assets	\$	<u>2,698,643</u>

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Anago Franchising, Inc.
Consolidated Balance Sheet
December 31, 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities			
Accounts payable and accrued liabilities	\$	159,873	
Loans payable		12,842	
Deferred franchisee revenues, current portion		425,392	
Total Current Liabilities	\$	598,107	
Non-Current Liabilities			
Deferred franchisee fees: non-current portion	\$	1,937,895	
Deferred Federal Income Tax: non-current		272,303	
Total Non-Current Liabilities	\$	2,210,198	
Total Liabilities	\$	2,808,305	
Shareholders' Equity			
Common stock, \$.001 par value, 100,000,000 shares authorized, 19,477,320 shares issued and outstanding	\$	19,477	
Additional Paid In Capital		481,650	
Treasury stock		(39,590)	
Retained earnings (Deficit)		(571,199)	
Total Shareholders' Equity	\$	(109,662)	
Total Liabilities and Shareholders' Equity	\$	2,698,643	

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned
 Subsidiary Anago Franchising, Inc.
 Consolidated Statement of Operations and Retained Earnings
 For the Year Ended December 31, 2004

Gross Revenues		\$ 1,248,957
Cost of Revenues		<u>5,126</u>
Gross Profit on Revenues		\$ 1,243,831
Cost of Operations		<u>1,175,376</u>
Income (Loss) from Operations	\$	68,455
Other (Expense) – Interest		(5,057)
Other Income - Interest		36,629
Federal Income Taxes		<u>22,371</u>
Income for the period	\$	122,398
Retained Earnings (Deficit) – Beginning of year		<u>(693,597)</u>
Retained Earnings (Deficit) – End of Year	\$	<u>(571,199)</u>

See accompanying notes to the financial statements

**Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2004**

Cash Flows From Operating Activities

Net Income	\$	122,398
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided By (Used in) Operating Activities:		
Non-cash item - amortization and depreciation		1,308
Decrease (Increase) in operating assets:		
Accounts Receivable		(115,574)
Equipment Lease receivable		16,667
Notes Receivable		(196,746)
Other Current Assets		(580)
Stock Subscriptions receivable		19,590
Increase (Decrease) in operating liabilities:		
Accounts payable		4,619
Income taxes		(22,371)
Loans payable		(43,503)
Deferred fees and revenue		<u>196,746</u>
Net Cash Provided By (Used In) Operating Activities		<u>(17,446)</u>

Cash Flows From Investing Activities

Acquisition of equipment		<u>(4,800)</u>
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Cash Flows From Financing Activities

Changes in due from affiliates		7,000
Additional paid in capital		68,223
Purchase of treasury stock		(34,881)
Changes in deferred income		900,929
Proceeds of sale of common stock		68
Long term portion of notes receivable		(900,929)
Change in stockholder loans		<u>2,518</u>
Net Cash Provided By (Used In) Financing Activities		<u>42,928</u>

Net increase (decrease) in Cash and Cash Equivalents		20,682
Cash and Cash Equivalents at beginning of period		23,763
Cash and Cash Equivalents at end of period	\$	<u><u>44,445</u></u>

**Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Notes to the Consolidated Financial Statements
December 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Machinery and Equipment

Machinery and Equipment is stated at cost and depreciated over its estimated allowable useful life (7 years), using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2004 amounted to \$ 1,308.

Income Taxes

In February 1992, the "Financial Accounting Standards Board" issued "Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes." Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Principles of Consolidation

The Consolidated financial statements include accounts of its wholly-owned subsidiaries. All material intercompany transactions have been eliminated.

NOTE 2 – RELATED PARTY TRANSACTIONS

As of December 31, 2004 amounts due from/to Affiliated Companies arising from related party transactions are summarized as follows:

Due from Estrellita, Inc.	<u>\$ -0-</u>
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**Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Notes to the Consolidated Financial Statements
December 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation sells "Master Janitorial Services Franchises" that will operate in an exclusive territory. The "Master Franchise" will have rights to sell and service "sub-franchises" in the territorial market as determined by the Master Franchise Agreement. The Company was incorporated in the State of Florida on December 5, 2000. On July 25, 2001, the Company merged with a privately owned Company, Anago Franchising, Inc.

Revenue Recognition

Revenue is recognized from services when performed and from franchise sales when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisee. Currently the Company's major source of revenue is "Royalty Fees" paid to it by a "Master Janitorial Service Franchise," which is an affiliated corporation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and any highly liquid investments with maturity of three months or less at the time of purchase.

The Company maintains cash and cash equivalent balances at a financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004, there are no concentrations of credit risk from uninsured bank balances.

Gary L. Gerstenfeld, CPA, P.A.

Certified Public Accountant
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Coral Springs, FL 33071

(954) 346-7622
(800) 618-7677

Fax: (954) 346-3212

CONSENT OF ACCOUNTANT

The firm of Gary L. Gerstenfeld, CPA P.A. hereby gives its consent to the use in the Franchise Disclosure Document filed by Anago Cleaning Systems, Inc. and It's Wholly-Owned Subsidiary Anago Franchising, Inc., our report dated May 7, 2004, relating to the financial statements of Anago Cleaning Systems, Inc. and It's Wholly-Owned Subsidiary Anago Franchising, Inc. at December 31, 2003.


Gary L. Gerstenfeld, CPA P. A.

**Anago Cleaning Systems, Inc. and Its Wholly-Owned Subsidiary
Anago Franchising, Inc.
Consolidated Financial Statements**

As of December 31, 2003

Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Consolidated Financial Statements
As of December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Anago Cleaning Systems, Inc. and its wholly-owned
Subsidiary Anago Franchising, Inc.:

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We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary Anago Franchising, Inc. as of December 31, 2003 and the results of its' operations and its' cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Gary L. Gerstenfeld, CPA, P.A.
Coral Springs, Florida
May 7, 2004

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
 Anago Franchising, Inc.
 Consolidated Balance Sheet
 December 31, 2003

ASSETS

Current Assets	
Cash and cash equivalents	\$ 23,763
Accounts receivable	3,302
Equipment lease receivable	16,667
Loan receivable	3,500
Stock subscriptions receivable	19,590
Notes receivable-current portion	<u>228,646</u>
Total Current Assets	<u>\$ 295,468</u>
Fixed Assets: Machinery and equipment (net of accumulated depreciation of \$ 9,851)	<u>\$ 7,211</u>
Non-Current Assets	
Notes receivable: non-current portion	\$ 1,036,966
Due from Shareholder	159,770
Due from Affiliate	<u>7,000</u>
Total Non-Current Assets	<u>\$ 1,203,736</u>
Total Assets	<u>\$ 1,506,415</u>

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
 Anago Franchising, Inc.
 Consolidated Balance Sheet
 December 31, 2003

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities	
Accounts payable and accrued liabilities	\$ 155,254
Loans payable	56,345
Deferred franchisee revenues, current portion	228,646
	<u>440,245</u>
Total Current Liabilities	\$ <u>440,245</u>
Non-Current Liabilities	
Deferred franchisee fees: non-current portion	\$ 1,036,966
Deferred Federal Income Tax: non-current	294,674
	<u>1,331,640</u>
Total Non-Current Liabilities	\$ <u>1,331,640</u>
Total Liabilities	\$ <u>1,771,885</u>
Shareholders' Equity	
Common stock, \$.001 par value, 100,000,000 shares authorized, 19,700,000 shares issued and outstanding	\$ 19,700
Additional Paid In Capital	413,427
Treasury stock	(5,000)
Retained earnings (Deficit)	<u>(693,597)</u>
Total Shareholders' Equity	\$ <u>(265,470)</u>
Total Liabilities and Shareholders' Equity	\$ <u>1,506,415</u>

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned
 Subsidiary Anago Franchising, Inc.
 Consolidated Statement of Operations and Retained Earnings
 For the Year Ended December 31, 2003

Gross Revenues	\$ 701,612
Cost of Revenues	<u>390,041</u>
Gross Profit on Revenues	\$ 311,571
Cost of Operations	<u>552,183</u>
Income (Loss) from Operations	\$ (240,612)
Other (Expense) – Interest	(4,140)
Other (Income) - Interest	8,324
Federal Income Taxes	<u>(294,674)</u>
(Loss) for the period	\$ (531,102)
Retained Earnings (Deficit) – Beginning of year	<u>(162,495)</u>
Retained Earnings (Deficit) – End of Year	\$ <u>(693,597)</u>

See accompanying notes to the financial statements

**Anago Cleaning Systems, Inc. and its Wholly-Owned
Subsidiary Anago Franchising, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2003**

Cash Flows From Operating Activities

Net Income (Loss)		(531,102)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Non-cash item - amortization and depreciation		965
Decrease (increase) in operating assets:		
Accounts receivable	8,364	
Equipment lease receivable	(16,667)	
Notes receivable	(210,301)	
Other current assets	(3,500)	
Stock subscriptions receivable	(19,590)	
Increase (decrease) in operating liabilities:		
Accounts payable	147,147	
Income taxes	294,674	
Loans payable	20,283	
Deferred fees and revenue	210,559	
Total adjustments		<u>430,969</u>
Net cash provided by (used in) operating activities		(99,168)

Cash Flows From Investing Activities

Acquisition of equipment		(650)
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Cash Flows From Financing Activities

Changes in due from affiliates	8,000	
Additional paid in capital	34,331	
Purchase of treasury stock	(5,000)	
Changes in deferred income	35,239	
Proceeds of sale of common stock	69	
Long term portion of notes receivable	(15,769)	
Change in stockholder loans	<u>33,146</u>	
Net cash provided by (used in) financing activities		<u>90,016</u>
Net increase (decrease) in cash and cash equivalents		(9,802)
Cash and cash equivalents at beginning of period		<u>33,565</u>
Cash and cash equivalents at end of period		<u><u>23,763</u></u>

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation sells "Master Janitorial Services Franchises" that will operate in an exclusive territory. The "Master Franchise" will have rights to sell and service "sub-franchises" in the territorial market as determined by the Master Franchise Agreement. The Company was incorporated in the State of Florida on December 5, 2000. On July 25, 2001, the Company merged with a privately owned Company, Anago Franchising, Inc.

Revenue Recognition

Revenue is recognized from services when performed and from franchise sales when all material services or conditions relating to the sale have been substantially performed or satisfied by the franchisee. Currently the Company's major source of revenue is "Royalty Fees" paid to it by a "Master Janitorial Service Franchise," which is an affiliated corporation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and any highly liquid investments with maturity of three months or less at the time of purchase.

The Company maintains cash and cash equivalent balances at a financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2003, there are no concentrations of credit risk from uninsured bank balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Machinery and Equipment

Machinery and Equipment is stated at cost and depreciated over its estimated allowable useful life (7 years), using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2003 amounted to \$ 965.

Income Taxes

In February 1992, the "Financial Accounting Standards Board" issued "Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes." Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Principles of Consolidation

The Consolidated financial statements include accounts of its wholly-owned subsidiaries. All material intercompany transactions have been eliminated.

NOTE 2 – RELATED PARTY TRANSACTIONS

As of December 31, 2003 amounts due from/to Affiliated Companies arising from related party transactions are summarized as follows:

Due from Estrellita, Inc.	<u>\$ 7,000</u>
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Gary L. Gerstenfeld, CPA, P.A.

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(800) 618-7677

Fax: (954) 346-3212

CONSENT OF ACCOUNTANT

The firm of Gary L. Gerstenfeld, P.A Certified Public Accountant, hereby gives its consent to the use in the Franchise Disclosure Document our report dated May 19th, 2003, relating to the financial statements of Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary Anago Franchising, Inc. for the year ended December 31, 2002


Gary L. Gerstenfeld, P.A.

Anago Cleaning Systems, Inc. and Its Wholly-Owned Subsidiary

Consolidated Financial Statements

As of December 31, 2002

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Consolidated Financial Statements
As of December 31, 2002

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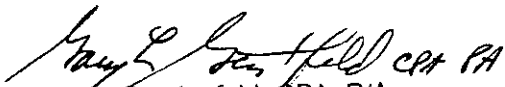
INDEPENDENT AUDITOR'S REPORT

To The Board of Directors of
Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary:

We have audited the accompanying balance sheet of Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary, as of December 31, 2002 and the related statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with audit standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Anago Cleaning Systems, Inc. and its wholly-owned Subsidiary as of December 31, 2002 and the results of its' operations and its' cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


Gary L. Gerstenfeld, CPA, P.A.
Coral Springs, Florida
May 19, 2003

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Consolidated Balance Sheet
December 31, 2002

ASSETS

Current Assets	
Cash and cash equivalents	\$ 33,565
Accounts receivable	11,666
Notes receivable-current portion	<u>18,345</u>
Total Current Assets	\$ <u>63,576</u>
Fixed Assets: Machinery and equipment (net of accumulated depreciation of \$ 8,886)	\$ <u>7,526</u>
Non-Current Assets	
Notes receivable: non-current portion	\$ 1,021,197
Due from Shareholder	192,915
Due from Affiliate	<u>15,000</u>
Total Non-Current Assets	\$ <u>1,229,112</u>
Total Assets	\$ <u>1,300,214</u>

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
 Consolidated Balance Sheet
 December 31, 2002

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		\$	
Accounts payable and accrued liabilities			8,106
Loans payable			36,062
Deferred franchisee revenues, current portion			18,087
			62,255
Total Current Liabilities		\$	62,255
Non-Current Liabilities			
Deferred franchisee fees: non-current portion		\$	1,001,727
			1,001,727
Total Non-Current Liabilities		\$	1,001,727
Total Liabilities		\$	1,063,982
Shareholders' Equity			
Common stock, \$.001 par value, 100,000 shares authorized, 35,965 shares issued and outstanding		\$	35,965
Additional Paid In Capital			362,762
Retained earnings (Deficit)			(162,495)
			236,232
Total Shareholders' Equity		\$	236,232
Total Liabilities and Shareholders' Equity		\$	1,300,214

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Consolidated Statement of Operations and Retained Earnings
For the Year Ended December 31, 2002

Gross Revenues	\$ 483,815
Cost of Revenues	<u>220,702</u>
Gross Profit on Revenues	\$ 263,113
Cost of Operations	<u>343,092</u>
Income (Loss) from Operations	\$ (79,979)
Other (Expense) – Interest	<u>(2,889)</u>
	\$ (82,868)
Retained Earnings (Deficit) – Beginning of year	<u>(79,627)</u>
Retained Earnings (Deficit) – End of Year	\$ <u>(162,495)</u>

See accompanying notes to the financial statements

Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Statement of Cash Flows

For the Year Ended December 31, 2002

Cash Flows From Operating Activities

Net Income (Loss)		(82,868)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Non-cash item - amortization and depreciation		2,268
Decrease (increase) in operating assets:		
Accounts receivable	(9,056)	
Loans receivable	6,111	
Notes receivable	(2,764)	
Other current assets	15,000	
Increase (decrease) in operating liabilities:		
Accounts payable	(210,644)	
Loans payable	1,951	
Deferred fees and revenue	2,656	
Total adjustments		<u>(196,746)</u>
Net cash provided by (used in) operating activities		(277,346)

Cash Flows From Investing Activities

Acquisition of equipment		(3,165)
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Cash Flows From Financing Activities

Changes in due from affiliates	37,723	
Changes in deferred income	837,158	
Proceeds of sale of common stock	353,366	
Long term portion of notes receivable	(856,628)	
Change in stockholder loans	(106,740)	
Net cash provided by (used in) financing activities		<u>264,879</u>

Net increase (decrease) in cash and cash equivalents		(12,467)
Cash and cash equivalents at beginning of period		<u>46,032</u>
Cash and cash equivalents at end of period		<u><u>33,565</u></u>

See accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Corporation sells "Master Janitorial Services Franchises" that will operate in an exclusive territory. The "Master Franchise" will have rights to sell and service "sub-franchises" in the territorial market as determined by the Master Franchise Agreement. The Company was incorporated in the State of Florida on December 5, 2000. On July 25, 2001, the Company merged with a privately owned Company, Anago Franchising, Inc.

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Anago Cleaning Systems, Inc. and its Wholly-Owned Subsidiary
Notes to the Consolidated Financial Statements
December 31, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Machinery and Equipment

Machinery and Equipment is stated at cost and depreciated over its estimated allowable useful life (7 years), using the straight-line method. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2002 amounted to \$2,268.

Income Taxes

In February 1992, the "Financial Accounting Standards Board" issued "Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes." Under SFAS No. 109, deferred assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective basis.

Deferred assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Principles of Consolidation

The Consolidated financial statements include accounts of its wholly-owned subsidiaries. All material intercompany transactions have been eliminated.

NOTE 2 – RELATED PARTY TRANSACTIONS

As of December 31, 2002 amounts due from/to Affiliated Companies arising from related party transactions are summarized as follows:

Due from Estrellita, Inc.	<u>\$ 15,000</u>
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