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BUSINESS ADVISERS, INC.  
FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED OCTOBER 31, 2002

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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Business Advisers, Inc.

We have audited the accompanying balance sheet of Business Advisers, Inc. (the Company) as of October 31, 2002, and the related statement of operations and changes in accumulated deficit and cash flows for the period 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 have conducted our audit in accordance with auditing 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 Business Advisers, Inc. as of October 31, 2002, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

*Chavez & Koch, CPA's Ltd.*  
Chavez & Koch, CPA's, Ltd.

March 25, 2003  
Henderson, Nevada

BUSINESS ADVISERS, INC.

BALANCE SHEET

AS OF OCTOBER 31, 2002

<u>ASSETS</u>		<u>10/31/2002</u>
CURRENT ASSETS:		
Cash		\$ 222,770
Prepaid expenses		10,000
Total current assets		<u>232,770</u>
Property Plant & Equipment		
Furniture, fixtures & equipment		9,259
Web site		8,000
Leasehold improvements		<u>3,600</u>
		20,859
Less: Accumulated depreciation		<u>(984)</u>
Property Plant & Equipment, Net		<u>19,875</u>
TOTAL ASSETS		<u>\$ 252,645</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	\$ -
STOCKHOLDERS' EQUITY:	
Common stock; \$.001 par value; 2,000,000 shares authorized, issued and outstanding	2,000
Additional paid in capital	298,000
Accumulated deficit	<u>(47,355)</u>
Total stockholders' equity	<u>252,645</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 252,645</u>

*The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this Balance Sheet.*

BUSINESS ADVISERS, INC.  
STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT  
FOR THE PERIOD ENDED OCTOBER 31, 2002

	<u>10/31/2002</u>
REVENUES	\$ -
COST OF SALES	<u>-</u>
Gross profit	<u>-</u>
EXPENSES:	
General and administrative	11,328
Depreciation & Amortization	984
Total expenses	<u>12,312</u>
Operating loss	(12,312)
OTHER INCOME (EXPENSES)	<u>-</u>
NET LOSS	(12,312)
RETAINED EARNINGS (ACCUMULATED DEFICIT), beginning of period	-
Stockholder distributions	<u>(35,043)</u>
ACCUMULATED DEFICIT, end of period	<u>\$ (47,355)</u>

*The accompanying independent auditors' report and notes to financial statements should be read in conjunction with this Statement of Operations and Accumulated Deficit.*

BUSINESS ADVISERS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED OCTOBER 31, 2002.

	<u>10/31/2003</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (12,312)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation and amortization	984
Increase (decrease) in:	
Prepays	<u>(10,000)</u>
Net cash used in operating activities	<u>(21,328)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Acquisition of PP&E	<u>(20,859)</u>
Net cash used in investing activities	<u>(20,859)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of capital stock	300,000
Distributions to stockholder	<u>(35,043)</u>
Net cash provided by financing activities	<u>264,957</u>
NET INCREASE IN CASH	222,770
CASH, BEGINNING OF PERIOD	<u>-</u>
CASH, END OF PERIOD	<u>\$ 222,770</u>
SUPPLEMENTAL DISCLOSURES	
Interest Paid	<u>\$ -</u>
Income taxes paid	<u>\$ -</u>

*The accompanying independent auditors' report and notes to financial statements should be  
read in conjunction with this Statement of Cash Flows.*

BUSINESS ADVISERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 2002

**NOTE 1 - ORGANIZATIONAL STRUCTURE**

Business Advisers, Inc. (the "Company") is a Nevada corporation formed on September 26, 2002. The principal activity of the Company is consulting, mentoring, facilitating and training companies in vital areas of their business. The Company also plans to franchise its business model so that other consultants will have a platform from which to provide the same services in other markets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and Cash Equivalents

Cash and cash equivalents include cash balances and highly liquid short-term investments with original maturities of three months or less at the date of purchase.

Property and Equipment

Property and equipment are stated at cost. Expenditures for additions, renewals and betterments are capitalized, expenditures for maintenance and repairs are charged to expenses as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in income. Interest costs are capitalized on construction projects, which take a considerable amount of time and require major expenditures.

Furniture, fixtures and equipment are depreciated by using the straight -line method with useful lives ranging between 3 to 15 years.

Income Taxes

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

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 disclosure 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.

Advertising

The Company incurred \$0 in advertising expenses for the period ending October 31, 2002.

**BUSINESS ADVISERS INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2003  
AND  
THE TWO MONTHS ENDED  
DECEMBER 31, 2002**



# *O'BANNON WALLACE & NEUMANN LLP*

Certified Public Accountants

To The Board of Directors  
Business Advisers Inc.  
Las Vegas, Nevada

We have audited the accompanying balance sheets of Business Advisers Inc. (a subchapter S Corporation), as of December 31, 2003 and December 31, 2002, and the related statements of income, stockholders' equity, and cash flows for the year and two months 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 audits.

We conducted our audits in accordance with auditing 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 Business Advisers Inc., as of December 31, 2003 and December 31, 2002, and the results of its operations and its cash flows for the year and two months then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of general and administrative expenses for the year ended December 31, 2003 and the two months ended December 31, 2002 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*O'Bannon Wallace + Neumann LLP*

O'Bannon Wallace and Neumann LLP  
July 9, 2005

624 South 10th Street • Las Vegas, Nevada 89101  
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**BUSINESS ADVISERS INC.  
BALANCE SHEET  
AS OF  
DECEMBER 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 36,736	\$ 151,678
Trade accounts receivable, net of allowance of \$0	370,300	2,000
Prepaid expenses	-	10,000
<b>TOTAL CURRENT ASSETS</b>	<u>407,036</u>	<u>163,678</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Furniture and equipment	9,259	9,259
Computer equipment	3,786	-
Leasehold improvements	3,600	3,600
	<u>16,645</u>	<u>12,859</u>
Accumulated depreciation	(8,534)	(4,435)
<b>TOTAL</b>	<u>8,111</u>	<u>8,424</u>
<b>OTHER ASSETS</b>		
Intangible assets, net of accumulated amortization	49,737	6,480
Deposits	5,370	5,370
<b>TOTAL OTHER ASSETS</b>	<u>55,107</u>	<u>11,850</u>
<b>TOTAL ASSETS</b>	<u>\$ 470,254</u>	<u>\$ 183,952</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bank overdraft	\$ -	\$ 41,480
Related party payable	1,000	-
Customer deposits	140,000	-
Deferred revenue	144,700	-
Due to shareholder	27,067	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>312,767</u>	<u>41,480</u>
<b>TOTAL LIABILITIES</b>	<u>312,767</u>	<u>41,480</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.01 par value; 2,000,000 shares authorized, 200,000 issued and outstanding	2,000	2,000
Additional paid-in capital	298,000	298,000
Retained earnings	(142,513)	(157,528)
<b>TOTAL EQUITY</b>	<u>157,487</u>	<u>142,472</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>\$ 470,254</u>	<u>\$ 183,952</u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**AND**  
**THE TWO MONTHS ENDED DECEMBER 31, 2002**

	For the Year Ended December 31, 2003	For the Two Months Ended December 31, 2002
REVENUE	\$ 587,200	\$ -
COST OF GOODS SOLD		
Commissions	15,224	-
Consulting	90,280	-
Franchise lodging	35,485	-
Training materials	112,664	-
Instructors	49,803	-
TOTAL COST OF GOODS SOLD	<u>303,456</u>	<u>-</u>
GROSS PROFIT	283,744	-
EXPENSES		
General and administrative expenses	270,068	107,214
Depreciation	4,099	3,451
TOTAL EXPENSES	<u>274,167</u>	<u>110,665</u>
INCOME/(LOSS) FROM OPERATIONS	9,577	(110,665)
OTHER INCOME/(EXPENSE)		
Interest income	-	492
Other income	5,438	492
	<u>5,438</u>	<u>492</u>
NET INCOME/(LOSS)	<u>\$ 15,015</u>	<u>\$ (110,173)</u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE YEAR END DECEMBER 31, 2003**  
**AND**  
**THE TWO MONTHS ENDED DECEMBER 31, 2002**

	Common Stock	Additional Paid In Capital	Accumulated Deficit/ Retained Earnings	Total Stockholders' Equity
BALANCE AT OCTOBER 31, 2002	\$ 2,000	\$ 298,000	\$ (47,355)	\$ 252,645
Net income	-	-	(110,173)	(110,173)
Distributions	-	-	-	-
BALANCE AT DECEMBER 31, 2002	2,000	298,000	(157,528)	142,472
Net income	-	-	15,015	15,015
Distributions	-	-	-	-
BALANCE AT DECEMBER 31, 2003	<u>\$ 2,000</u>	<u>\$ 298,000</u>	<u>\$ (142,513)</u>	<u>\$ 157,487</u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**AND**  
**THE TWO MONTHS ENDED DECEMBER 31, 2002**

	<u>For the Year Ended December 31, 2003</u>	<u>For the Two Months Ended December 31, 2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income/(loss)	\$ 15,015	\$ (110,173)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,099	3,451
Accounts receivable, net	(368,300)	(2,000)
Prepaid expenses	10,000	-
Intangible assets, net	(43,257)	1,520
Deposits	-	(5,370)
Due to shareholder	27,067	-
Bank overdraft	(41,480)	41,480
Customer deposits	140,000	-
Deferred revenue	144,700	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>(112,156)</u>	<u>(71,092)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(3,786)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(3,786)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	46,000	-
Payments on borrowings	(45,000)	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>1,000</u>	<u>-</u>
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	(114,942)	(71,092)
<b>CASH AND EQUIVALENTS, BEGINNING OF PERIOD</b>	151,678	222,770
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u>\$ 36,736</u>	<u>\$ 151,678</u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 1 – ORGANIZATION**

Business Advisers Inc. (a subchapter S corporation) “the Company” was incorporated under the laws of the State of Nevada in September 26, 2002. The principal activity of the Company is consulting, mentoring, facilitating and training companies in vital areas of their business. The Company franchises its business model so that other consultants will have a platform from which to provide the same services in other markets. Franchises are sold to Master Franchisees to operate in a specific territory. Single unit franchises are sold in the specific territories by the Master Franchisor.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Revenue Recognition

The Company executes franchise agreements for each Master Franchise and Single Unit Franchise which sets out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise sold by a master franchisee. Subject to the Company’s approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company recognizes initial fees as revenue when the services required by the franchise agreement are performed. All franchise agreements are for a 5 year period. The revenue for the initial fee is recognized as follows:

<u>Year of Contract</u>	<u>Percentage of Revenue Recognized</u>
1 <sup>st</sup>	80%
2 <sup>nd</sup>	5%
3 <sup>rd</sup>	5%
4 <sup>th</sup>	5%
5 <sup>th</sup>	5%

Revenue not recognized in the current period is deferred until services have been performed. Deferred revenue liability as of December 31, 2003 and 2002 was \$144,700 and \$0, respectively.

The Company recognizes continuing fees as earned and renewal fees when a renewal agreement becomes effective.

**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

The Company considers all cash on hand and in banks, and all highly liquid investments with a maturity of three months or less to be cash equivalents.

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. Advertising expense was \$65,872 and \$21,998 for the year ended December 31, 2003 and the two months ended December 31, 2002, respectively.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization expense are calculated using the accelerated methods over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives (Years)</u>
Furniture and equipment	5
Computer equipment	5
Leasehold improvements	15

Maintenance, repairs and minor renewals are expensed as incurred. The cost of property sold or otherwise disposed of and the related accumulated depreciation is relieved from the accounts, and any gains or losses arising from sale or disposal are included in income.

Income taxes

The Company has elected S corporation status. The Company's earnings are included and taxed in the personal income tax returns of its stockholders. Accordingly, the Company does not incur income tax obligations.

**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2003**

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Intangible assets

Intangible assets includes the cost to develop the Company's website which includes a portal for franchisee's to access the Company's proprietary tools used in the operation of their business. In accordance with *Statement of Position* ("SOP") No. 98-1, the Company capitalizes certain costs relating to the development of its web site and certain costs related to substantial upgrades and enhancements made to the web site that result in added functionality. Maintenance costs and other expenses not related to upgrades or enhancements are expensed as incurred. During the year ended December 31, 2003 and the two months ended December 31, 2002, there was \$47,975 and \$7,200 of web site development costs capitalized, respectively. Web site development costs of \$55,175 are amortized over a 5 year period. Amortization expense was \$4,718 and \$720 for the year ended December 31, 2003, and the two months ended December 31, 2002, respectively.

**NOTE 3 – DUE TO SHAREHOLDER**

As of December 31, 2003, the Company has an amount due of \$27,067 to a shareholder of the Company related to expenses incurred on behalf of the Company. The amount bears no interest and is expected to be settled within the next twelve months.

**NOTE 4 – CUSTOMER DEPOSITS**

As of December 31, 2003, the Company received \$140,000 in advance deposits for the purchase of franchises that were completed during 2004.

**NOTE 5 – RELATED PARTY TRANSACTIONS**

During 2003, the Company borrowed \$46,000 from two related parties. The loans were short term in nature and accrued no interest. As of December 31, 2003, \$1,000 was outstanding.

**NOTE 6 – OPERATING LEASES**

The Company leases office space under an operating lease agreement that is renewable on an annual basis expiring in July 2004. Rent expense was \$47,155 for the year ended December 31, 2003 and \$729 for the two months ended December 31, 2002.



**BUSINESS ADVISERS INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003**

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

The Company is involved in various claims incidental to the conduct of its business. Based on consulting with legal counsel, the Company does not believe that any claims, either individually or in the aggregate, to which the Company is a party will have a material adverse effect on the Company's financial condition or results of operations.

**NOTE 8 – SUBSEQUENT EVENTS**

The Company is currently in negotiations with an unrelated party for the potential merger of the two companies operations. As of the date of the auditors report, no final agreement has been signed.

**BUSINESS ADVISERS INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**  
**AND**  
**THE TWO MONTHS ENDED DECEMBER 31, 2002**

	<u>For the Year Ended December 31, 2003</u>	<u>For the Two Months Ended December 31, 2002</u>
Advertising	\$ 65,872	\$ 21,998
Amortization	4,718	720
Automobile expense	-	1,543
Bank charges	357	40
Brokers	7,500	-
Business development	3,696	10,589
Business materials	46,763	-
Computer expense	1,360	2,190
Dues and subscriptions	996	331
Insurance	338	270
Internet charges	486	517
Investor procurement	1,439	-
Legal fees	20,635	37,394
Licenses and permits	-	6,025
Meals and entertainment	6,726	-
Travel	3,281	562
Miscellaneous	2,157	-
Office expense	1,996	3,071
Office supplies	337	3,452
Officers salary	46,500	-
Postage	30	44
Printing	637	-
Recruiting	2,000	-
Rents and leases	47,155	729
Storage	631	262
Telephone	4,458	677
Website development	-	16,800
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u><u>\$ 270,068</u></u>	<u><u>\$ 107,214</u></u>

See independent auditors' report.

**BUSINESS ADVISERS INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

# *O'BANNON WALLACE & NEUMANN LLP*

Certified Public Accountants

To The Board of Directors  
Business Advisers Inc.  
Las Vegas, Nevada

We have audited the accompanying balance sheet of Business Advisers Inc. (a subchapter S Corporation), as of December 31, 2004, and the related statements of income, stockholders' equity, 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 auditing 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 Business Advisers 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of general and administrative expenses for the year ended December 31, 2004 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*O'Bannon Wallace + Neumann LLP*

O'Bannon Wallace and Neumann LLP  
July 9, 2005

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**BUSINESS ADVISERS INC.**  
**BALANCE SHEET**  
**AS OF**  
**DECEMBER 31, 2004**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 200
Trade accounts receivable, net of allowance of \$0	670,300
<b>TOTAL CURRENT ASSETS</b>	<u>670,500</u>

**PROPERTY, PLANT AND EQUIPMENT**

Furniture and equipment	9,259
Computer equipment	3,786
Leasehold improvements	3,600
	<u>16,645</u>
Accumulated depreciation	(10,627)
<b>TOTAL</b>	<u>6,018</u>

**OTHER ASSETS**

Intangible assets, net of accumulated amortization	37,982
Deposits	5,370
<b>TOTAL OTHER ASSETS</b>	<u>43,352</u>

**TOTAL ASSETS** \$ 719,870

**LIABILITIES AND EQUITY**

**CURRENT LIABILITIES**

Bank overdraft	\$ 15,105
Customer deposits	65,000
Deferred revenue	312,525
Due to shareholder	31,085
<b>TOTAL CURRENT LIABILITIES</b>	<u>423,715</u>

**TOTAL LIABILITIES** 423,715

**STOCKHOLDERS' EQUITY**

Common stock, \$0.01 par value; 2,000,000 shares authorized, 200,000 issued and outstanding	2,000
Additional paid-in capital	298,000
Retained earnings	(3,845)
<b>TOTAL EQUITY</b>	<u>296,155</u>

**TOTAL LIABILITIES AND EQUITY** \$ 719,870

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.  
INCOME STATEMENT  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

REVENUE	\$ 875,841
<b>COST OF GOODS SOLD</b>	
Commissions	57,500
Consulting	115,811
Franchise lodging	70,949
Training materials	65,370
Instructors	52,478
TOTAL COST OF GOODS SOLD	<u>362,108</u>
GROSS PROFIT	513,733
<b>EXPENSES</b>	
General and administrative expenses	366,972
Depreciation	2,093
TOTAL EXPENSES	<u>369,065</u>
INCOME FROM OPERATIONS	144,668
INTEREST EXPENSE	<u>6,000</u>
NET INCOME	<u><u>\$ 138,668</u></u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.  
STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

	Common Stock	Additional Paid In Capital	Accumulated Deficit/ Retained Earnings	Total Stockholders' Equity
BALANCE AT JANUARY 1, 2004	\$ 2,000	\$ 298,000	\$ (142,513)	\$ 157,487
Net income	-	-	138,668	138,668
Distributions	-	-	-	-
BALANCE AT DECEMBER 31, 2004	<u>\$ 2,000</u>	<u>\$ 298,000</u>	<u>\$ (3,845)</u>	<u>\$ 296,155</u>

The accompanying notes are an integral part of these financial statements.

**BUSINESS ADVISERS INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
DECEMBER 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income	\$ 138,668
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	13,848
Accounts receivable, net	(300,000)
Bank overdraft	15,105
Customer deposits	(75,000)
Deferred revenue	167,825
Loan due to shareholder	4,018
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(35,536)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from borrowings	55,000
Payments on borrowings	(56,000)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,000)</b>

**NET DECREASE IN CASH AND EQUIVALENTS** (36,536)

**CASH AND EQUIVALENTS, BEGINNING OF YEAR** 36,736

**CASH AND EQUIVALENTS, END OF YEAR** \$ 200

**SUPPLEMENTAL INFORMATION:**

Cash paid for interest \$ 6,000

The accompanying notes are an integral part of these financial statements.



**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 1 – ORGANIZATION**

Business Advisers Inc. (a subchapter S corporation) "the Company" was incorporated under the laws of the State of Nevada in September 26, 2002. The principal activity of the Company is consulting, mentoring, facilitating and training companies in vital areas of their business. The Company franchises its business model so that other consultants will have a platform from which to provide the same services in other markets. Franchises are sold to Master Franchisees to operate in a specific territory. Single unit franchises are sold in the specific territories by the Master Franchisor.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

Revenue Recognition

The Company executes franchise agreements for each Master Franchise and Single Unit Franchise which sets out the terms of the agreement with the franchisee. Franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales or a percentage fee for each single unit franchise sold by a master franchisee. Subject to the Company's approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration.

The Company recognizes initial fees as revenue when the services required by the franchise agreement are performed. All franchise agreements are for a 5 year period. The revenue for the initial fee is recognized as follows:

<u>Year of Contract</u>	<u>Percentage of Revenue Recognized</u>
1 <sup>st</sup>	80%
2 <sup>nd</sup>	5%
3 <sup>rd</sup>	5%
4 <sup>th</sup>	5%
5 <sup>th</sup>	5%

Revenue not recognized in the current period is deferred until services have been performed. Deferred revenue liability as of December 31, 2004 was \$312,525.

The Company recognizes continuing fees as earned and renewal fees when a renewal agreement becomes effective.

**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

The Company considers all cash on hand and in banks, and all highly liquid investments with a maturity of three months or less to be cash equivalents.

Advertising

Advertising costs are expensed when incurred or the first time such advertisement appears. Total advertising costs were \$91,418 in 2004.

Property and equipment

Property and equipment are recorded at cost. Depreciation and amortization expense are calculated using the accelerated methods over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives (Years)</u>
Furniture and equipment	5
Computer equipment	5
Leasehold improvements	15

Maintenance, repairs and minor renewals are expensed as incurred. The cost of property sold or otherwise disposed of and the related accumulated depreciation is relieved from the accounts, and any gains or losses arising from sale or disposal are included in income.

Income taxes

The Company has elected S corporation status. The Company's earnings are included and taxed in the personal income tax returns of its stockholders. Accordingly, the Company does not incur income tax obligations.

**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Intangible assets

Intangible assets includes the cost to develop the Company's website which includes a portal for franchisee's to access the Company's proprietary tools used in the operation of their business. In accordance with *Statement of Position* ("SOP") No. 98-1, the Company capitalizes certain costs relating to the development of its web site and certain costs related to substantial upgrades and enhancements made to the web site that result in added functionality. During the year ended December 31, 2004, there was no web site development costs capitalized. \$56,500 was incurred during the year ended December 31, 2004 for web site maintenance. Existing web site development costs of \$55,175 are amortized over a 5 year period and amortization was \$11,755 for the year ended December 31, 2004.

**NOTE 3 – DUE TO SHAREHOLDER**

As of December 31, 2004, the Company has an amount due of \$31,085 to a shareholder of the Company related to expenses incurred on behalf of the Company. The amount bears no interest and is expected to be settled within the next twelve months.

**NOTE 4 – CUSTOMER DEPOSITS**

During 2004, the Company received \$65,000 from a potential customer for the purchase of a franchise. As of December 31, 2004, no contract was completed. The Company intends to refund the initial deposit to the customer less any administrative costs incurred in accordance with the franchise agreement. The amount of administrative costs is currently in dispute with the potential franchisee.

**NOTE 5 – OPERATING LEASES**

The Company leases office space under an operating lease agreement that is renewable on an annual basis expiring in July 2005. Rent expense for the year ended December 31, 2004 was \$65,072.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The Company is involved in various claims incidental to the conduct of its business. Based on consulting with legal counsel, the Company does not believe that any claims, either individually or in the aggregate, to which the Company is a party will have a material adverse effect on the Company's financial condition or results of operations.

**BUSINESS ADVISERS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2004**

**NOTE 7 – SUBSEQUENT EVENTS**

The Company is currently in negotiations with an unrelated party for the potential merger of the two companies operations. As of the date of the auditors report, no final agreement has been signed.

**BUSINESS ADVISERS INC.**  
**SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2004**

Advertising	\$ 91,418
Amortization	11,755
Automobile expense	1,607
Bank charges	1,503
Business development	1,574
Business materials	36,485
Computer expense	1,566
Contributions	200
Dues and subscriptions	330
Insurance	1,912
Internet charges	293
Investor procurement	1,500
Legal fees	4,163
Licenses and permits	1,571
Meals and entertainment	7,828
Miscellaneous	3,252
Office expense	1,106
Office supplies	6,438
Officers salary	60,300
Postage	183
Printing	1,735
Rents and leases	65,072
Repairs and maintenance	116
Security	65
Storage	490
Telephone	8,010
Website development	56,500
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>\$ 366,972</b>

See independent auditors' report.