

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2002
FOR
EPOCH SOFTWARE DEVELOPMENT LIMITED



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EPOCH SOFTWARE DEVELOPMENT LIMITED

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for the Year Ended 31 December 2002

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EPOCH SOFTWARE DEVELOPMENT LIMITED

Company Information
for the Year Ended 31 December 2002

DIRECTORS: G K Cohen
R C Cohen

SECRETARY: H C Horwitz

REGISTERED OFFICE: Unit 2
The Technology Park
Colindeep Lane
London
NW9 6BX

REGISTERED NUMBER: 03707955 (England and Wales)

ACCOUNTANTS: Glazers Chartered Accountants
843 Finchley Road
London NW11 8NA

EPOCH SOFTWARE DEVELOPMENT LIMITED

Report of the Directors **for the Year Ended 31 December 2002**

The directors present their report with the financial statements of the company for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of development of computer and electronic publishing software and consultancy services.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

RESEARCH AND DEVELOPMENT

It is the company's policy not to capitalise expenditure incurred in the development of software.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2002.

DIRECTORS

The directors during the year under review were:

G K Cohen
R C Cohen

The directors at the balance sheet dates have beneficial interests in the issued share capital of the company as at 31 December 2002 by virtue of their shareholdings in Epoq Group Limited, the ultimate parent company. Mr G K Cohen has a beneficial interest in 45.35% (2001: 45.01%) and Mr R C Cohen has a beneficial interest in 39.50% (2001: 38.78%) of the issued share capital of Epoq Group Limited.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- follow applicable accounting standards.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to Small Companies.

ON BEHALF OF THE BOARD:


R C Cohen - DIRECTOR

Dated: 2 JULY 2003

EPOCH SOFTWARE DEVELOPMENT LIMITED

**Accountants' Report to the Directors on the Unaudited Accounts of Epoch Software Development Limited
for the Year Ended 31 December 2002**

As described on the Balance Sheet you are responsible for the preparation of the accounts for the year ended 31 December 2002, set out on pages 1 to 8 and you consider that the company is exempt from an audit. In accordance with your instructions, we have compiled these unaudited accounts in order to assist you to fulfil your statutory responsibilities from the accounting records and information and explanations supplied to us.

Glaz 23 Dec 2003
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Glaziers Chartered Accountants

EPOCH SOFTWARE DEVELOPMENT LIMITED

Profit and Loss Account
for the Year Ended 31 December 2002

		<u>31.12.02</u>	<u>31.12.01</u>
	Notes	£	£
TURNOVER		16,456	8,811
Cost of sales		<u>-</u>	<u>2,610</u>
GROSS PROFIT		16,456	6,201
Administrative expenses	2	<u>658,893</u>	<u>1,090,758</u>
		(642,437)	(1,084,557)
Other operating income		<u>322,386</u>	<u>754,224</u>
OPERATING LOSS	3	(320,051)	(330,333)
Interest receivable and similar income		<u>4,017</u>	<u>1,365</u>
		(316,034)	(328,968)
Interest payable and similar charges		<u>(137)</u>	<u>138</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(315,897)	(329,106)
Tax on loss on ordinary activities	4	<u>98,568</u>	<u>48,614</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(217,329)	(280,492)
Deficit brought forward		<u>(756,066)</u>	<u>(475,574)</u>
DEFICIT CARRIED FORWARD		<u>£(973,395)</u>	<u>£(756,066)</u>

The notes form part of these financial statements

EPOCH SOFTWARE DEVELOPMENT LIMITED

Balance Sheet
31 December 2002

		<u>31.12.02</u>	<u>31.12.01</u>
	Notes	£	£
CURRENT ASSETS:			
Debtors: amounts falling due after more than one year	5	-	1,085
Debtors: amounts falling due within one year	5	609,385	806,566
Cash at bank and in hand		<u>87,241</u>	<u>69,038</u>
		696,626	876,689
CREDITORS: Amounts falling due within one year	6	<u>1,670,019</u>	<u>39,457</u>
NET CURRENT ASSETS:		<u>(973,393)</u>	<u>837,232</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		(973,393)	837,232
CREDITORS: Amounts falling due after more than one year	7	<u>-</u>	<u>1,593,296</u>
		<u>£(973,393)</u>	<u>£(756,064)</u>
CAPITAL AND RESERVES:			
Called up share capital	8	2	2
Profit and loss account		<u>(973,395)</u>	<u>(756,066)</u>
SHAREHOLDERS' FUNDS:	13	<u>£(973,393)</u>	<u>£(756,064)</u>

For the year ended 31st December 2002 the company was entitled to exemption under section 249A(1) of the Companies Act 1985.

Members have not required the company to obtain an audit in accordance with section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibility for:

- i. ensuring the company keeps accounting records which comply with section 221; and
- ii. preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year, and of its profit or loss for the financial year, in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions in Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:


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R C Cohen - DIRECTOR

Approved by the Board on 2 JULY 2003

The notes form part of these financial statements

EPOCH SOFTWARE DEVELOPMENT LIMITED

Cash Flow Statement
for the Year Ended 31 December 2002

		Year ended 31.12.02	Year ended 31.12.01
	Notes	£	£
Net cash inflow/(outflow) from operating activities	14	14,049	67,811
Returns on investments and servicing of finance	15	<u>4,154</u>	<u>1,227</u>
		18,203	69,038
Financing	15	<u>-</u>	<u>-</u>
Increase/(Decrease) in cash in the period		<u>£18,203</u>	<u>£69,038</u>
<hr/>			
Reconciliation of net cash flow to movement in net funds	16		
Increase/(Decrease) in cash in the period		<u>18,203</u>	<u>69,038</u>
Change in net funds resulting from cash flows		<u>18,203</u>	<u>69,038</u>
Movement in net funds in the period		18,203	69,038
Net funds at 1 January		<u>69,038</u>	<u>-</u>
Net funds at 31 December		<u>£87,241</u>	<u>£69,038</u>

The notes form part of these financial statements

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 2002

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. STAFF COSTS

	31.12.02	31.12.01
	£	£
Wages and salaries	346,935	586,106
Social security costs	<u>40,028</u>	<u>61,623</u>
	<u>386,963</u>	<u>647,729</u>

The average monthly number of employees during the year was as follows:

	31.12.02	31.12.01
	£	£
Administrative staff	7	22
Directors	<u>2</u>	<u>2</u>
	<u>9</u>	<u>24</u>

3. OPERATING LOSS

The operating loss is stated after charging auditor's remuneration of £nil (2001: £8,750), and directors' remuneration of £70,600 (2001: £48,575).

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 2002

4. TAXATION

The tax credit on the loss on ordinary activities for the year was as follows:

	31.12.02	31.12.01
	£	£
Charge for year	-	-
R&D tax credit	<u>98,568</u>	<u>48,614</u>
	<u>98,568</u>	<u>48,614</u>

5. DEBTORS

	31.12.02	31.12.01
	£	£
Amounts falling due within one year:		
V.A.T.	1,625	1,484
Trade debtors	41,354	663
Prepayments	5,773	9,000
Tax recoverable	150,371	48,614
Amounts due from related parties (see note 11)	410,262	746,805
	<u>609,385</u>	<u>806,566</u>
Amounts falling due after more than one year:		
Amounts due from group companies (see note 11)	-	<u>1,085</u>
Aggregate amounts	<u>609,385</u>	<u>807,651</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.02	31.12.01
	£	£
Trade creditors	3,397	16,078
Social security & other taxes	8,610	14,629
Amounts owed to group companies (see note 11)	1,637,205	-
Accruals	<u>20,807</u>	<u>8,750</u>
	<u>1,670,019</u>	<u>39,457</u>

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.02	31.12.01
	£	£
Amounts owed to related parties (see note 11)	-	90,474
Amounts owed to group companies (see note 11)	-	<u>1,502,822</u>
	-	<u>1,593,296</u>

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2002

8. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	31.12.02 £	31.12.01 £
1,000	Ordinary shares	£1	<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	31.12.02 £	31.12.01 £
2	Ordinary shares	£1	<u>2</u>	<u>2</u>

9. FINANCIAL COMMITMENTS

At the balance sheet date the company was committed to make the following payments in the year ending 31 December 2003 in respect of operating leases.

	Land and Buildings		Other	
	31.12.02 £	31.12.01 £	31.12.02 £	31.12.01 £
Leases expiring within one year	8,240	-	8,310	3,094
Leases expiring in between two and five years	-	45,000	164	-
	<u>8,240</u>	<u>45,000</u>	<u>8,474</u>	<u>3,094</u>

10. ULTIMATE HOLDING COMPANY

The ultimate holding company is Epoq Group Limited which is incorporated in England and Wales.

11. RELATED PARTY DISCLOSURES

During the year the company charged consultancy fees of £nil (2001: £120,000) and recharged management expenses of £118,427 (2001: £82,448) to Law Assure Services Limited and recharged management expenses of £203,959 (2001: £551,776) to Desktop Lawyer (Sales) Limited. Both these companies were related parties.

At the balance sheet date the company owed the following amounts to group entities.

	31.12.02 £	31.12.01 £
Due within one year:		
Rapidocs Sales Limited	165,302	-
Epoq Group Limited	1,471,903	-
Due after more than one year:		
Rapidocs Sales Limited	-	30,599
Epoq Group Limited	-	<u>1,472,223</u>
	<u>1,637,205</u>	<u>1,502,822</u>

At the balance sheet date the company was owed £nil (2001: £1,085) by Epoch Software Pty Limited, a group entity.

At the balance sheet date the company owed Law Assure Services Limited, which is a related party, £nil (2001: £90,474).

At the balance sheet date the company was owed the following amounts by other related parties.

	31.12.02	31.12.01
	£	£
Desktop Lawyer Services Limited	4,539	2,539
Desktop Lawyer Limited	140,623	140,529
Direct Lawyer Limited	21,495	20,245
Desktop Lawyer (Sales) Limited	95,287	421,288
Desktop Lawyer (Leeds) Limited	140,000	140,000
Law Assure Holdings Limited	-	19,052
Law Assure Services Limited	8,318	-
My Lawyer Inc	-	3,152
	<u>410,262</u>	<u>746,805</u>

All transactions with related parties were conducted on an arm's length basis.

12. GOING CONCERN

The financial statements have been prepared on a going concern basis, which is dependent on the continued support of other group companies, and of related companies with common directors and shareholders. In the opinion of the directors that support will not be withdrawn in the foreseeable future and the going concern basis is therefore reasonable.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.02	31.12.01
	£	£
Loss for the financial year	(217,329)	(280,492)
Net reduction of shareholders' funds	(217,329)	(280,492)
Opening shareholders' funds	(756,064)	(475,572)
Closing shareholders' funds	(973,393)	(756,064)
Equity interests	(973,393)	(756,064)

14. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31.12.02	Year ended 31.12.01
	£	£
Operating profit/(loss)	(320,051)	(330,333)
Decrease/(Increase) in debtors	296,834	(455,714)
Increase/(Decrease) in creditors	37,266	853,858
Net cash inflow/(outflow) from operating activities	<u>14,049</u>	<u>67,811</u>

15. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year ended 31.12.02	Year ended 31.12.01
	£	£
Returns on investments and servicing of finance		
Interest received	4,017	1,365
Interest paid	137	(138)
	<u>4,154</u>	<u>1,227</u>

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 2002

16. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.02 £	Cash flow £	At 31.12.02 £
Net cash:			
Cash at bank and in hand	<u>69,038</u>	<u>18,203</u>	<u>87,241</u>
Analysed in balance sheet			
Cash at bank and in hand	<u>69,038</u>		<u>87,241</u>

EPOCH SOFTWARE DEVELOPMENT LIMITED

Detailed Profit and Loss Account
for the Year Ended 31 December 2002

	<u>31.12.02</u>		<u>31.12.01</u>	
	£	£	£	£
Sales		16,456		8,811
Cost of sales:				
Purchases		-		2,610
GROSS PROFIT		16,456		6,201
Other income:				
Management charges	322,386		754,224	
Bank interest	4,017		1,365	
		326,403		755,589
		342,859		761,790
Expenditure:				
Directors' remuneration	70,600		48,575	
Wages	276,335		537,531	
Social security	40,028		61,623	
Recruitment & Training	400		5,524	
Telephone, web & domain name hosting	66,664		53,227	
Printing, postage & stationery	14,140		21,776	
Advertising	1,946		1,447	
Travelling	1,053		8,546	
Motor expenses	16,675		29,900	
Consultancy fees	50,055		112,571	
Equipment hire	8,858		53,107	
Repairs & renewals	5,527		7,455	
Sundry expenses	3,235		17,078	
Auditor's remuneration	-		8,750	
Legal Fees	615		15,287	
Other professional fees	31,152		43,526	
Entertainment	752		1,694	
Rent & Rates	38,209		38,094	
Insurance	31,367		21,239	
Light & heat	524		3,052	
		658,135		1,090,002
		(315,276)		(328,212)
Finance costs:				
Bank interest	(137)		138	
Leasing	-		-	
Bank charges	758		756	
		621		894
NET LOSS BEFORE TAXATION		<u>£(315,897)</u>		<u>£(329,106)</u>