

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2001
FOR
EPOCH SOFTWARE DEVELOPMENT LIMITED



EPOCH SOFTWARE DEVELOPMENT LIMITED

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for the Year Ended 31 December 2001

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EPOCH SOFTWARE DEVELOPMENT LIMITED

Company Information
for the Year Ended 31 December 2001

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)

AUDITOR:

Defries Weiss
311 Ballards Lane
London
N12 8LY

EPOCH SOFTWARE DEVELOPMENT LIMITED

Report of the Directors **for the Year Ended 31 December 2001**

The directors present their report with the financial statements of the company for the year ended 31 December 2001.

PRINCIPAL ACTIVITY

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

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 2001.

DIRECTORS

The directors during the year under review were:

G K Cohen

R C Cohen

G Friedman

- resigned 27.4.01

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

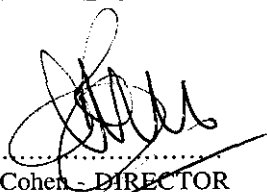
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- follow applicable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

AUDITOR

The auditor, Defries Weiss, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:


.....
R C Cohen - DIRECTOR

Dated: 13/1/03

EPOCH SOFTWARE DEVELOPMENT LIMITED

Report of the Independent Auditor to the Shareholders of
Epoch Software Development Limited

We have audited the financial statements of Epoch Software Development Limited for the year ended 31 December 2001 on pages four to nine. These financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditor

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Report of the Directors 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 directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 judgements made by the directors 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 31 December 2001, of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Defries Weiss

Defries Weiss
311 Ballards Lane
London
N12 8LY

Dated: 13/01/02

EPOCH SOFTWARE DEVELOPMENT LIMITED

Profit and Loss Account
for the Year Ended 31 December 2001

		<u>31.12.01</u>	<u>31.12.00</u>
	Notes	£	£
TURNOVER		8,811	-
Cost of sales		<u>2,610</u>	<u>-</u>
GROSS PROFIT		6,201	-
Administrative expenses	2	<u>1,090,758</u>	<u>450,064</u>
		(1,084,557)	(450,064)
Other operating income		<u>754,224</u>	<u>-</u>
OPERATING LOSS	3	(330,333)	(450,064)
Interest receivable and similar income		<u>1,365</u>	<u>-</u>
		(328,968)	(450,064)
Interest payable and similar charges		<u>138</u>	<u>7,826</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(329,106)	(457,890)
Tax on loss on ordinary activities	4	<u>48,614</u>	<u>-</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(280,492)	(457,890)
Deficit brought forward		<u>(475,574)</u>	<u>(17,684)</u>
DEFICIT CARRIED FORWARD		<u>£(756,066)</u>	<u>£(475,574)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

The notes form part of these financial statements

EPOCH SOFTWARE DEVELOPMENT LIMITED

**Balance Sheet
31 December 2001**

		<u>31.12.01</u>	<u>31.12.00</u>
	Notes	£	£
CURRENT ASSETS:			
Debtors: amounts falling due after more than one year	5	1,085	300,000
Debtors: amounts falling due within one year	5	806,566	3,323
Cash at bank and in hand		<u>69,038</u>	<u>-</u>
		876,689	303,323
CREDITORS: Amounts falling due within one year	6	<u>39,457</u>	<u>14,738</u>
NET CURRENT ASSETS:		<u>837,232</u>	<u>288,585</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:		837,232	288,585
CREDITORS: Amounts falling due after more than one year	7	<u>1,593,296</u>	<u>764,157</u>
		<u>£(756,064)</u>	<u>£(475,572)</u>
CAPITAL AND RESERVES:			
Called up share capital	8	2	2
Profit and loss account		<u>(756,066)</u>	<u>(475,574)</u>
SHAREHOLDERS' FUNDS:	13	<u>£(756,064)</u>	<u>£(475,572)</u>

ON BEHALF OF THE BOARD:


.....
R C Cohen DIRECTOR

Approved by the Board on13/1/03.....

The notes form part of these financial statements

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements for the Year Ended 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and applicable accounting standards.

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.

Cashflow statement

The company is a subsidiary of Epoq Group Limited and its accounts are consolidated in the group financial statements of that company. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard No.1 (revised 1996).

2. STAFF COSTS

	31.12.01	31.12.00
	£	£
Wages and salaries	586,106	251,816
Social security costs	<u>61,623</u>	<u>27,934</u>
	<u>647,729</u>	<u>279,750</u>

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

	31.12.01	31.12.00
	£	£
Administrative staff	22	-
Directors	<u>2</u>	<u>-</u>
	<u>24</u>	<u>-</u>

In the prior year all staff costs were recharged from Epoch Software Distributions Limited, which has now been liquidated. There were no staff directly employed by the company in the prior year.

3. OPERATING LOSS

The operating loss is stated after charging auditor's remuneration of £8,750 (2000: £2,500), and directors' remuneration of £48,575 (2001: £nil).

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 2001

4. TAXATION

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

	31.12.01	31.12.00
	£	£
Tax overprovided in prior years	<u>48,614</u>	<u>-</u>

5. DEBTORS

	31.12.01	31.12.00
	£	£
Amounts falling due within one year:		
V.A.T.	1,484	1,444
Trade debtors	663	-
Other debtors	-	107
Prepayments	9,000	-
Tax recoverable	48,614	-
Amounts due from related parties (see note 11)	746,805	-
Directors' current accounts (see note 11)	<u>-</u>	<u>1,772</u>
	<u>806,566</u>	<u>3,323</u>
Amounts falling due after more than one year:		
Amounts due from group companies	<u>1,085</u>	<u>300,000</u>
Aggregate amounts	<u>807,651</u>	<u>303,323</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.01	31.12.00
	£	£
Trade creditors	16,078	12,238
Social security & other taxes	14,629	-
Accruals	<u>8,750</u>	<u>2,500</u>
	<u>39,457</u>	<u>14,738</u>

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

	31.12.01	31.12.00
	£	£
Amounts owed to related parties (see note 11)	90,474	-
Amounts owed to group companies	<u>1,502,822</u>	<u>764,157</u>
	<u>1,593,296</u>	<u>764,157</u>

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements **for the Year Ended 31 December 2001**

8. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.01	31.12.00
			£	£
1,000	Ordinary shares	£1	<u>1,000</u>	<u>1,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.01	31.12.00
			£	£
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 2002 in respect of operating leases.

	Land and Buildings		Other	
	31.12.01	31.12.00	31.12.01	31.12.00
	£	£	£	£
Leases expiring within one year	-	-	3,094	8,387
Leases expiring in between two and five years	45,000	-	-	-
	<u>45,000</u>	<u>-</u>	<u>3,094</u>	<u>8,387</u>

10. ULTIMATE HOLDING COMPANY

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

EPOCH SOFTWARE DEVELOPMENT LIMITED

Notes to the Financial Statements
for the Year Ended 31 December 2001

11. RELATED PARTY DISCLOSURES

At the balance sheet date the company owed Law Assure Services Limited, which is a related party, £90,474 (2000: £nil).

At the balance sheet date the company was owed the following amounts by related parties. All transactions with related parties were conducted on an arm's length basis.

	31.12.01	31.12.00
	£	£
Desktop Lawyer Services Limited	2,539	-
Desktop Lawyer Limited	140,529	-
Direct Lawyer Limited	20,245	-
Desktop Lawyer (Sales) Limited	421,288	-
Desktop Lawyer (Leeds) Limited	140,000	-
Law Assure Holdings Limited	19,052	-
My Lawyer Inc	3,152	-
R C Cohen (a director)	-	<u>1,772</u>
	<u>746,805</u>	<u>1,772</u>

The company has taken advantage of the exemptions provided by Financial Reporting Standard 8 in not to disclose transactions between group companies.

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. 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

	31.12.01	31.12.00
	£	£
Loss for the financial year	<u>(280,492)</u>	<u>(457,890)</u>
Net reduction of shareholders' funds	<u>(280,492)</u>	<u>(457,890)</u>
Opening shareholders' funds	<u>(475,572)</u>	<u>(17,682)</u>
Closing shareholders' funds	<u>(756,064)</u>	<u>(475,572)</u>
Equity interests	<u>(756,064)</u>	<u>(475,572)</u>

EPOCH SOFTWARE DEVELOPMENT LIMITED

Detailed Profit and Loss Account
for the Year Ended 31 December 2001

	<u>31.12.01</u>		<u>31.12.00</u>	
	£	£	£	£
Sales		8,811		-
Cost of sales:				
Purchases		<u>2,610</u>		<u>-</u>
GROSS PROFIT		6,201		-
Other income:				
Management charges	754,224		-	
Bank interest	<u>1,365</u>		<u>-</u>	
		<u>755,589</u>		<u>-</u>
		761,790		-
Expenditure:				
Directors' remuneration	48,575		-	
Wages	537,531		251,816	
Social security	61,623		27,934	
Recruitment fees	5,524		6,190	
Telephone	53,227		5,756	
Printing, postage & stationery	21,776		5,389	
Advertising	1,447		-	
Travelling	8,546		9,579	
Motor expenses	33,506		2,926	
Consultancy fees	112,571		128,109	
Hire of equipment	49,501		-	
Repairs & renewals	7,455		-	
Sundry expenses	17,078		7,368	
Auditor's remuneration	8,750		2,500	
Legal & professional fees	58,813		992	
Entertainment	1,694		1,505	
Rent	38,094		-	
Insurance	21,239		-	
Light & heat	<u>3,052</u>		<u>-</u>	
		<u>1,090,002</u>		<u>450,064</u>
		(328,212)		(450,064)
Finance costs:				
Bank interest	138		-	
Leasing	-		7,826	
Bank charges	<u>756</u>		<u>-</u>	
		<u>894</u>		<u>7,826</u>
NET LOSS		<u>£(329,106)</u>		<u>£(457,890)</u>

This page does not form part of the statutory financial statements