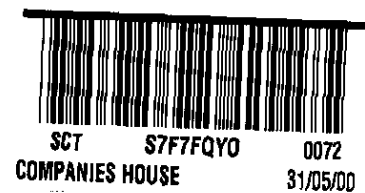


CAPSOFT UK LIMITED

Abbreviated Accounts

for the year ended 31 July 1999

IAM



Auditors' Report to CAPSOFT UK LIMITED
under Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 2 to 5 together with the financial statements of CAPSOFT UK LIMITED for the year ended 31 July 1999, prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985 in respect of the year ended 31 July 1999, and the abbreviated accounts on pages 2 to 5 are properly prepared in accordance with those provisions.

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 the company and of the profit or loss of the company for that year. In preparing these the directors are required to :

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

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.



D M Vaughan & Co Ltd
Certified Accountants and
Registered Auditor

10 Gloucester Place
Edinburgh

30 May 2000

CAPSOFT UK LIMITED

Abbreviated Balance Sheet as at 31 July 1999

		1999	1998
	Notes	£	£
Fixed Assets			
Intangible assets	2	150,000	150,000
Tangible assets	2	40,499	23,154
		<u>190,499</u>	<u>173,154</u>
Current Assets			
Stocks		4,185	5,454
Debtors		48,338	35,438
Investments		24,730	-
Cash at bank and in hand		15,863	6,489
		<u>93,116</u>	<u>47,381</u>
Creditors: amounts falling due within one year		<u>(294,206)</u>	<u>(158,304)</u>
Net Current Liabilities		<u>(201,090)</u>	<u>(110,923)</u>
Total Assets Less Current Liabilities		(10,591)	62,231
Creditors: amounts falling due after more than one year		(28,889)	-
Net (Liabilities)/Assets		<u>(39,480)</u>	<u>62,231</u>
Capital and Reserves			
Called up share capital	3	20,000	20,000
Revaluation reserve		150,000	150,000
Profit and loss account		(209,480)	(107,769)
Shareholders' Funds		<u>(39,480)</u>	<u>62,231</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The abbreviated accounts were approved by the Board on 27 April 2000 and signed on its behalf by

Mr R Shepherd
Director



The notes on pages 3 to 5 form an integral part of these financial statements.

CAPSOFT UK LIMITED

Notes to the Abbreviated Financial Statements for the year ended 31 July 1999

1. Accounting Policies

1.1. Basis of Preparing Financial Statements

At the balance sheet date the company had a net deficiency of assets of £39,480. This deficiency has arisen due to the adoption of the turnover accounting policy described in note 1.3.

The financial statements have been prepared on a going concern basis as the royalties being generated in the current year indicate that the deferred income will not be repayable.

1.2. Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

1.3. Turnover

Turnover represents the total invoice value, excluding value added tax, of royalties generated during the year. Royalties invoiced in advance are carried forward to the accounting period in which they are earned, as this amount is repayable to the extent that target sales are not met.

1.4. Intangible fixed assets

Licences acquired to distribute software are included in the balance sheet at a revaluation from their original cost as, in the opinion of the directors, there is a readily ascertainable market value. Such revaluations are reviewed annually, based on the net present value of the expected stream of net royalty income receivable under the licence for its remaining life. The asset was valued by the directors at 31 July 1998.

No amortisation is charged as the valuation of licences is reassessed annually based on their remaining lives.

1.5. Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same year unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period from which the company is expected to benefit.

1.6. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Plant and machinery	-	15% reducing balance basis
Fixtures, fittings and equipment	-	15% reducing balance basis
Motor vehicles	-	25% reducing balance basis
Fixtures & fittings	-	15% reducing balance basis

CAPSOFT UK LIMITED

Notes to the Abbreviated Financial Statements for the year ended 31 July 1999

..... continued

1.7. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8. Investments

Current asset investments are at the lower of cost and net realisable value.

1.9. Stock

Stock is valued at the lower of cost and net realisable value.

2. Fixed assets

	Intangible assets £	Tangible fixed assets £	Total £
Cost/revaluation			
At 1 August 1998	150,000	30,693	180,693
Additions	-	24,733	24,733
At 31 July 1999	150,000	55,426	205,426
Depreciation and			
At 1 August 1998	-	7,539	7,539
Charge for year	-	7,388	7,388
At 31 July 1999	-	14,927	14,927
Net book values			
At 31 July 1999	150,000	40,499	190,499
At 31 July 1998	150,000	23,154	173,154

Licences for the distribution of software were revalued from their original cost to an estimate of market value during the year to 31 July 1998, based on the expected stream of net royalty income receivable under the licence for its remaining economic life. The valuation was carried out by the directors. At 31 July 1999 software licences comprised the exclusive rights to distribute and licence the product "Hot Docs" in the UK, Eire and the European Member States.

CAPSOFT UK LIMITED

**Notes to the Abbreviated Financial Statements
for the year ended 31 July 1999**

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3. Share capital	1999	1998
	£	£
Allotted, called up and fully paid		
20,000 Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

4. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount Owing		Maximum
	1999	1998	in year
	£	£	£
Mr R. Shepherd	-	98	15,711
Mrs D Shepherd	71	-	71