

BitWise Resources Limited

Directors' Report and Financial Statements

Period ended 31 December 2003

Registered number S C 164481



BitWise Resources Limited

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Company Information for the period ended 31 December 2003

Officers and advisers

Directors:	P C McWhirter A G Smeaton
Secretary:	CCW Secretaries Limited
Registered Office:	Thomson House Pitreavie Court Dunfermline KY11 8UU
Business Offices:	Crescent House Carnegie Campus Dunfermline Fife KY11 8GR
Auditors:	Scott-Moncrieff Chartered Accountants 17 Melville Street Edinburgh EH3 7PH
Bankers:	Bank of Scotland 235 Sauchiehall Street Glasgow G2 3EY
Solicitors:	CCW LLP Thomson House Pitreavie Court Dunfermline KY11 8UU

Report of the Directors for the period ended 31 December 2003

The directors present their annual report and the audited financial statements for the period ended 31 December 2003.

Principal activity

The company's principal activity is that of property owners.

Business review

The Company has purchased shares in BitWise Limited as a long term investment with a reasonable dividend flow expected. The property rental income is providing the funds to repay the loan from the Bank. Trade is expected to continue in this manner for the next few years.

Dividend

It is not proposed to pay a dividend for the period.

Directors and their interests

The beneficial interests of directors holding office on 6 April and 31 December 2003 were :

P C McWhirter	60 shares of £1	£60
A G Smeaton	40 shares of £1	£40

Director's responsibilities

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the period ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the period end Scott-Moncrieff were appointed auditors of the company. Scott Moncrieff have expressed their willingness to continue in office, and a resolution will be proposed at the next annual general meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions of part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for the Smaller Entities (Effective June 2002).

By order of the board



CCW Secretaries Limited
Secretary

Thomson House
Pitreavie Court
Dunfermline KY11 8UU

28 , June 2004

Independent Auditors' Report to the Shareholders of BitWise Resources Limited

We have audited the financial statements of BitWise Resources Limited for the period ended 31 December 2003 set out in pages 6 to 11. These financial statements have been prepared under the historical cost convention and accounting policies set out on page 8.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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 Accounting 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 Directors' Report is not consistent with 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 Directors' Report 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, except that the scope of our work was limited as explained below.

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 judgments 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.

Independent Auditors' Report to the Shareholders of BitWise Resources Limited (continued)**Basis of audit opinion (continued)**

However, the evidence available to us was limited because we were appointed auditors after the period end and we have been unable to carry out auditing procedures necessary to obtain adequate assurance regarding the opening balances and comparative figures because the financial statements for the period ended 5 April 2003 were unaudited. Any adjustments to the opening balances would have a consequential effect on the profit for the period. In addition, the amounts shown as corresponding amounts for the period ended 31 December 2003 may not be comparable with the figures for the current period.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and, except for any adjustments that might have been found necessary had we been able to obtain sufficient evidence concerning the opening balances as at 6 April 2003, of its profit for the period then ended and, except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the corresponding amounts, have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to opening balances:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

Scott Moncrieff

Scott-Moncrieff,
Chartered Accountants
Registered Auditor

17 Melville Street,
Edinburgh EH3 7PH

Date..... *28 June 2004*

Profit and loss account

Period ended 31st December 2003

	Note	2003 £	Year ended 5th April 2003 £
Turnover	1	115,676	-
Gross profit		<u>115,676</u>	<u>-</u>
Administrative expenses		<u>(64,566)</u>	<u>(435)</u>
Operating profit/(loss)	2	51,110	(435)
Investment income		70,000	-
Interest receivable and similar charges		103	-
Interest payable and similar charges		<u>(56,182)</u>	<u>-</u>
Profit/(loss) on ordinary activities before taxation		65,031	(435)
Taxation on profit/(loss) in the period		(15,652)	-
Profit/(loss) after taxation carried forward		<u>49,379</u>	<u>(435)</u>
Loss brought forward from previous year		(435)	-
Retained profit/(loss) carried forward		<u><u>48,944</u></u>	<u><u>(435)</u></u>

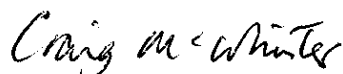
The notes on pages 8 to 11 form part of these financial statements.

Balance sheet

As at 31st December 2003

	Note	2003 £	As at 5 April 2002 £
Fixed assets			
Tangible fixed assets	4	1,047,319	1,083,574
Investments	5	636,067	-
		<u>1,683,386</u>	<u>1,083,574</u>
Current assets			
Debtors		9,974	-
Cash at bank and in hand		49,292	8,129
		<u>59,266</u>	<u>8,129</u>
Creditors: Amounts falling due within one year	6	<u>(266,015)</u>	<u>(23,038)</u>
Net current liabilities		(206,749)	(14,909)
Total assets less current liabilities		<u>1,476,637</u>	<u>1,068,665</u>
Creditors: Amounts falling due after more than one year	7	(1,427,593)	(1,069,000)
Provisions for liabilities and charges		-	-
Net assets		<u>49,044</u>	<u>(335)</u>
Capital and reserves			
Called up share capital	8	100	100
Profit/(loss) carried forward		48,944	(435)
Shareholders' funds - equity		<u>49,044</u>	<u>(335)</u>

The directors have taken advantage in the preparation of these accounts of the special provisions of Part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002). These accounts were approved by the board on 28 June 2004 and signed on its behalf by


P C McWhirter

Director

The notes on pages 8 to 11 form part of these financial statements.

1 Accounting policies

	31 December 2003	5 April 2003
	£	£
Depreciation	43,638	-
Auditors remuneration	2,000	-

Notes to the Financial Statements for the period ended 31 December 2003 (continued)

3 Taxation

All of the taxation charge is in respect of current tax.

4 Tangible Fixed Assets

	Property £
Cost	
At 6 April 2003	1,083,574
Additions	7,383
At 31 December 2003	<u>1,090,957</u>
Depreciation	
At 6 April 2003	-
Charge for the period	43,638
At 31 December 2003	<u>43,638</u>
Net Book Value	
At 31 December 2003	<u>1,047,319</u>
At 5 April 2003	<u>1,083,574</u>

5 Investments

	2003 £
Cost	
At 6 April 2003	-
Additions	636,067
At 31 December 2003	<u>636,067</u>

Details of the investment are as follows:

Company	Trade	Proportion of issued share capital held	Capital and reserves	Result for the year
BitWise Limited	Software consultancy	78%	635,723	125,749

Notes to the Financial Statements for the period ended 31 December 2003 (continued)

6 Creditors: Amounts falling due within one year

	31 December 2003	5 April 2003
	£	£
Sundry creditors and accruals	65,148	23,038
Bank loan (secured)	58,667	-
Other creditors	142,200	-
	<u>266,015</u>	<u>23,038</u>

7 Creditors: Amounts falling due after one year

	31 December 2003	5 April 2003
	£	£
Bank loan (secured)	821,333	820,000
Other creditors	373,996	249,000
Amounts due to group undertaking	232,264	-
	<u>1,427,593</u>	<u>1,069,000</u>

The Bank of Scotland hold a bond and floating charge over the whole assets of the company and also standard security over Crescent House, Carnegie Campus, Dunfermline.

Of the creditors due after more than one year, the following are amounts due after five years:

	31 December 2003	5 April 2003
	£	£
Bank Loan (secured)	586,667	-
Other creditors	249,000	-
	<u>835,667</u>	<u>-</u>

8 Called up Share Capital

	Number	Class	Nominal Value	Total
Authorised and issued	100	Ordinary	£1	£100

9 Reconciliation of movement in equity shareholders' funds

	31 December 2003	5 April 2003
	£	£
Opening shareholders' funds	(335)	100
Profit for financial period	49,379	(435)
Closing shareholders' funds	<u>49,044</u>	<u>(335)</u>

Notes to the Financial Statements for the period ended 31 December 2003 (continued)

10 Ultimate controlling party and related party transactions

The company is 100% owned by Craig McWhirter (60%) and Gary Smeaton (40%).

The company owns 78% of BitWise Ltd who pay a commercial rent for Crescent House. BitWise Ltd paid a total of £107,676 to BitWise Resources Ltd during the period. A loan was made from BitWise Ltd to the company for £232,264 during 2003, the balance was outstanding as at the period end.

A number of private individuals provided unsecured loans, with interest payable at 10%, to the company for the construction of the property. The individuals all meet the definition of related parties in accordance with FRS 8 (Related party disclosures).

	Loan	Interest due
	£	£
Gary Smeaton	20,000	167
Craig McWhirter	30,000	250
Katherine Coyle	25,000	208
Michael Smeaton	84,000	700
Stephen Palmer	40,000	333
Tony Smith	50,000	417

The company also purchased a 78% shareholding of BitWise Ltd of which £371,287 was payable to ScoNet, a company wholly owned by Craig McWhirter. At the period end £99,995 was still owed to ScoNet.