

BITWISE RESOURCES LIMITED

Registered number SC164481

Directors' Report and Financial Statements

For the year ended 31 December 2006



BITWISE RESOURCES LIMITED

Company Information

Directors

P C McWhirter
A G Smeaton

Secretary

CCW Secretaries Limited

Registered office

Thomson House
Pitreavie Court
Dunfermline
KY11 8UU

Registered number

SC164481

Auditors

Scott Moncrieff
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

Solicitor

CCW LLP
Thomson House
Pitreavie Court
Dunfermline
KY11 8UU

Principal banker

Bank of Scotland
235 Sauchiehall Street
Glasgow
G2 3EY

BITWISE RESOURCES LIMITED

Financial Statements

For the year ended 31 December 2006

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BITWISE RESOURCES LIMITED

Report of the directors

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity

The principal activity and core business of the company continues to be that of a holding company and property owners

Business Review

In June the Company added Bitwise RT Limited to its portfolio and is encouraged by the profitable first 6 months. Bitwise Limited maintained its profitability and Bitwise Europe BV had a better year, turning into profit. In 2007, the Bitwise Estonia OU subsidiary will become operational. During the year the upper floor at Crescent House became vacant, and an opportunity to sell this area was pursued to a conclusion in 2007. There will follow a restructuring of the loan in 2007. All trading investments are taking advantage of good market conditions in 2007.

Directors' interests

The interests, as defined by the Companies Act 1985, of the directors in the share capital of the company at the beginning of the year and end of the year were

	Ordinary Shares of £1 each	
	31 December 2006	1 January 2006
P C McWhirter	60	60
A G Smeaton	40	40

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

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.

Disclosure of information to auditors

As far as each of the directors, at the time the report is approved, are aware,

- there is no relevant information of which the company's auditors are aware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of the information

Auditors

A resolution to re appoint Scott Moncrieff, Chartered Accountants, as auditors will be put to members at the annual general meeting

BITWISE RESOURCES LIMITED

Report of the Directors

For the year ended 31 December 2006

Small company exemptions

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

This report was approved by the board on 20 September 2007 and signed on its behalf by



CCW Secretaries Limited
Secretary

BITWISE RESOURCES LIMITED

Independent auditor's report to the shareholders of BitWise Resources Limited

We have audited the financial statements of BitWise Resources Limited for the year ended 31 December 2006 set out on pages 4 to 10 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (Effective January 2005), under the historical cost convention and the accounting policies set out on page 6

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 International Standards on Auditing (UK and Ireland).

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 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 Directors' report and consider the implications for our report, if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 2006 and of its loss for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Scott Moncrieff

Scott Moncrieff
Chartered Accountants
Registered Auditor
17 Melville Street
Edinburgh
EH3 7PH

Date 20 September 2007

BITWISE RESOURCES LIMITED

Profit and Loss Account

For the year ended 31 December 2006

	Note	2006 £	2005 £
Turnover		184,968	159,289
Administrative expenses		(105,177)	(58,031)
Operating profit	2	79,791	101,258
Interest receivable		43	10
Interest payable and similar charges		(79,636)	(83,190)
Profit on ordinary activities before taxation		198	18,078
Tax on profit on ordinary activities	4	(17,998)	(11,935)
(Loss)/profit on ordinary activities after taxation	13	(17,800)	6,143

The notes on pages 6 to 10 form part of these financial statements

BITWISE RESOURCES LIMITED

Balance Sheet

At 31 December 2006

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	5	1,139,648	1,012,243
Investments	6	752,138	703,957
		<u>1,891,786</u>	<u>1,716,200</u>
Current assets			
Debtors	7	158,576	75,942
Investments	8	203,270	180,000
		<u>361,846</u>	<u>255,942</u>
Creditors: amounts falling due within one year	9	<u>(134,498)</u>	<u>(129,527)</u>
Net current assets		227,348	126,415
Total asset less current liabilities		<u>2,119,134</u>	<u>1,842,615</u>
Creditors: amounts falling due after more than one year	10	(2,073,418)	(1,778,998)
Provisions for liabilities and charges			
Deferred taxation	11	(466)	(567)
Net assets		<u>45,250</u>	<u>63,050</u>
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	45,150	62,950
Shareholders' funds		<u>45,250</u>	<u>63,050</u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were authorised for issue by the board on 20 September 2007 and signed on its behalf by

Craig McWhirter

P C McWhirter
Director

The notes on pages 6 to 10 form part of these financial statements

BITWISE RESOURCES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2006

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Cash Flow

The financial statements do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirements to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005)

Turnover

Turnover comprises the value of goods and services supplied by the company, excluding value added tax

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Freehold properties	4% straight line
Motor vehicles	20% straight line

Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. 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 a constant periodic rate of charge on the net obligation outstanding in each period.

Deferred tax

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction.

Foreign currency assets and liabilities held at the balance sheet date are retranslated at the exchange rates ruling at that date. Any resulting exchange profit or loss is dealt with in the profit and loss account.

Investments

Fixed asset investments are stated at cost, less any provisions required where there has been a permanent diminution in their value.

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

BITWISE RESOURCES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2006

2 Operating profit

	2006 £	2005 £
Operating profit is stated after charging		
Depreciation of tangible assets	67,717	52,637
Auditors' remuneration	3,000	3,000
	<u>70,717</u>	<u>55,637</u>

3 Directors' emoluments

The directors did not receive any emoluments during the year (2005 Nil)

4 Tax on profit on ordinary activities

	2006 £	2005 £
UK corporation tax current year	18,178	11,807
UK corporation tax adjustment to prior years	(79)	
Deferred taxation	(101)	128
	<u>17,998</u>	<u>11,935</u>

There were no factors that may affect future tax charges

5 Tangible fixed assets

	Land and buildings £	Motor vehicles £	Total £
Cost			
At 1 January 2006	1,091,147	61,699	1,152,846
Additions	171,563	25,696	197,259
Disposals		(2,700)	(2,700)
At 31 December 2006	<u>1,262,710</u>	<u>84,695</u>	<u>1,347,405</u>
Depreciation			
At 1 January 2006	130,914	9,689	140,603
Depreciation for the year	50,778	16,939	67,717
Disposals		(563)	(563)
At 31 December 2006	<u>181,692</u>	<u>26,065</u>	<u>207,757</u>
Net book value			
At 31 December 2006	<u>1,081,018</u>	<u>58,630</u>	<u>1,139,648</u>
At 31 December 2005	<u>960,233</u>	<u>52,010</u>	<u>1,012,243</u>

Included within fixed assets are assets held under finance lease and hire purchase agreements with a net book value of £52,840 (2005 £49,944) Depreciation charged on these assets during the year was £15,492 (2005 £8,365)

BITWISE RESOURCES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2006

6 Fixed asset investments

	Group undertaking £
Cost	
At 1 January 2006	703,957
Additions	48,181
At 31 December 2006	<u>752,138</u>

The investments brought forward at 1 January 2006 are shown at cost. Included in the brought forward balance is 78% of the issued share capital of BitWise Limited, a software consultancy company registered in Scotland. The capital and reserves of BitWise Limited at 31 December 2006 were £1,029,835 (2005 £828,509) and the retained profit for the year was £201,326 (2005 £102,967).

Also included in the brought forward balance is an investment in 100% of the issued share capital of Bitwise Europe BV. The capital and reserves of Bitwise Europe BV at 31 December 2006 were £34,900 (2005 £(990)) and the retained profit for the year was a profit of £2,013 (2005 £17,634).

Additions during the year comprise of an investment in 75% of the issued share capital of Bitwise RT Limited for £28,125 and an investment of 70% of the issued share capital of Bitwise Estonia O U for £20,056. The capital and reserves of Bitwise RT Limited at 31 December 2006 were £44,500 and the retained profit for the year was £7,000. The capital and reserves of Bitwise Estonia O U at 31 December 2006 were £20,056. The company did not trade in the period to 31 December 2006.

The company is exempt from the requirements to prepare group accounts by virtue of section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

7 Debtors

	2006 £	2005 £
Group balances	38,125	
Other debtors	120,451	75,942
	<u>158,576</u>	<u>75,942</u>

Included within debtors are amounts of £158,175 (2005 £75,924) due after more than one year.

8 Current asset investments

	2006 £	2005 £
As at 1 January 2005	180,000	114,000
Additions	115,270	66,000
Disposals	(92,000)	
As at 31 December 2005	<u>203,270</u>	<u>180,000</u>

These consist of investments in E type cars.

BITWISE RESOURCES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2006

9 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	74,715	76,992
Amounts owed to group undertakings	216	
Finance lease and hire purchase	24,408	20,571
Tax and social security	18,178	11,819
Other creditors	16,981	20,145
	<u>134,498</u>	<u>129,527</u>

10 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loans	730,280	772,046
Amounts owed to group undertakings	1,011,665	651,326
Finance lease and hire purchase	7,385	19,537
Other loans (note 14)	324,088	336,089
	<u>2,073,418</u>	<u>1,778,998</u>

Amounts are due within the following periods

In five years or more	<u>892,564</u>	<u>946,331</u>
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The Bank overdraft and loans are secured by a bond and floating charge over the whole assets of the company and also a standard security over Crescent House, Carnegie Campus, Dunfermline

11 Deferred taxation

	2006	2005
	£	£
At 31 December 2005	567	439
Movement in the year	(101)	128
At 31 December 2006	<u>466</u>	<u>567</u>

The provision for deferred taxation is made up as follows

	2006	2005
	£	£
Accelerated capital allowances	<u>466</u>	<u>567</u>

12 Share capital

	2006	2005
	£	£
Authorised		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 Ordinary Shares of £1 each	<u>100</u>	<u>100</u>

BITWISE RESOURCES LIMITED

Notes to the Financial Statements

For the year ended 31 December 2006

13 Reserves

	Profit and loss account £
At 1 January 2006	62,950
Loss for the year	(17,800)
At 31 December 2006	<u>45,150</u>

14 Subsequent events

On 21 September 2007 the company changed its name to Bitwise Group Limited

15 Related parties

The company owns 78% of BitWise Limited who pay a commercial rent for Crescent House of £143,568 (2005 £143,568) from which the company trades. During the year Bitwise Limited also paid the company rental for a flat in Estonia owned by Bitwise Resources Limited of £5,400 (2005 £nil) and also paid £36,000 (2005 £15,721) for the rental of motor vehicles. At the year end, the company owed Bitwise Limited £1,011,665 (2005 £651,326).

During the year the company was recharged expenses of £216 by Bitwise Europe BV, a company in which Bitwise Resources Ltd owns 100% of the share capital. This amount was still due to Bitwise Europe BV at the year end.

Also during the year, the company made a loan of £28,125 to Bitwise RT Limited, a company in which Bitwise Resources Ltd owns 75% of the share capital. There are no repayment terms for this loan and the full amount remained outstanding at the year 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 meet the definition of related parties in accordance with FRS 8 (related party disclosure).

	Loan £
A G Smeaton	20,000
P C McWhirter	30,000
K Coyle	25,000
M Smeaton	72,000
S Palmer	40,000
T Smith	50,000

These loans are to be repaid on 30th June 2012.

When the company purchased the shareholding in BitWise Limited £371,287 was payable to ScoNet, a company wholly owned by P C McWhirter. At the year end £87,088 (2005 £87,088) was still owed to ScoNet and is included within 'Other creditors' falling due after more than one year.

16 Controlling party

The company is 100% owned by P C McWhirter (60%) and A G Smeaton (40%).