

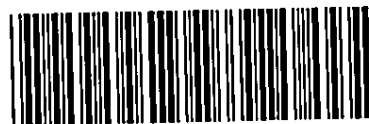
BITWISE GROUP LIMITED

Company registration number SC164481

Directors' Report and Financial Statements

For the year ended 31 December 2010

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BITWISE GROUP LIMITED

Directors' Report and Financial Statements for the year ended 31 December 2010

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BITWISE GROUP LIMITED

Directors, officers and advisers

Directors

P C McWhirter
A G Smeaton
J C Wright

Secretary and registered office

CCW Secretaries Limited
Crescent House
Carnegie Campus
Dunfermline
KY11 8GR

Registered number

SC164481

Auditors

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Bankers

Bank of Scotland
235 Sauchiehall Street
Glasgow
G2 3EY

Solicitors

CCW LLP
Crescent House
Carnegie Campus
Dunfermline
KY11 8GR

BITWISE GROUP LIMITED

Directors' report for the year ended 31 December 2010

The directors present their report and the financial statements of the company for the year ended 31 December 2010.

Principal activity

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

Results and dividends

The results for the year are shown on the profit and loss account on page 6. The profit for the year after taxation was £231,491.

An interim dividend of £225,180 was paid during the year. The directors do not propose payment of a final dividend.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

P C McWhirter
A G Smeaton
J C Wright

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence to take reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

To the knowledge and belief of each of the persons who are directors at the time the report is approved:

- So far as the director is aware, there is no relevant information of which the company's auditor is unaware, and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information, and to establish that the company's auditor is aware of the information

Auditors

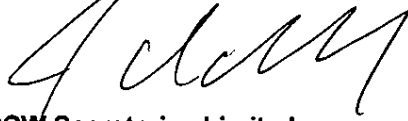
The auditors, Scott-Moncrieff, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

BITWISE GROUP LIMITED

Directors' report for the year ended 31 December 2010 (continued)

The above report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

This report was approved by the board on 31/8/11 and signed on its behalf by:



CCW Secretaries Limited
Secretary

BITWISE GROUP LIMITED

Independent auditors' report to the members of Bitwise Group Limited

We have audited the financial statements of Bitwise Group Limited for the year ended 31 December 2010 which comprise the profit and loss account, balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors, including "APB Ethical Standard - Provisions Available for Small Entities (Revised)", in the circumstances set out in note 20 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BITWISE GROUP LIMITED

Independent auditors' report to the members of Bitwise Group Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.

Alan Donaldson

**Alan Donaldson (Senior Statutory Auditor)
for and on behalf of Scott-Moncrieff, Chartered Accountants
Statutory Auditor
Exchange Place 3
Sempole Street
Edinburgh
EH3 8BL**

Date: 31 August 2011

BITWISE GROUP LIMITED

Profit and loss account for the year ended 31 December 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		<u>£</u>	<u>£</u>
Turnover	2	179,018	179,018
Administrative expenses		(138,567)	(128,705)
Other operating income	3	1,238	-
Operating profit	4	41,689	50,313
Amounts written off investments	8	(66,853)	(33,403)
(Loss)/profit on ordinary activities before interest		(25,164)	16,910
Income from shares in group undertakings		289,143	291,217
Other interest receivable and similar income		2	50
Interest payable and similar charges		(24,693)	(26,303)
Profit on ordinary activities before taxation		239,288	281,874
Taxation on profit on ordinary activities	6	(7,797)	(24,726)
Profit for the financial year	15	231,491	257,148

The notes on pages 8 to 14 form part of these financial statements.

BITWISE GROUP LIMITED

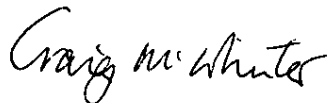
Balance sheet at 31 December 2010

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
		<u>£</u>	<u>£</u>
Fixed assets			
Tangible assets	7	669,957	646,145
Investments	8	888,666	955,519
		<u>1,558,623</u>	<u>1,601,664</u>
Current assets			
Debtors	9	661,248	537,360
Investments	10	10,368	40,368
Cash at bank and in hand		34,204	19,758
		<u>705,820</u>	<u>597,486</u>
Creditors: amounts falling due within one year	11	<u>(150,841)</u>	<u>(291,773)</u>
Net current assets		<u>554,979</u>	<u>305,713</u>
Total assets less current liabilities		<u>2,113,602</u>	<u>1,907,377</u>
Creditors: amounts falling due after more than one year	12	<u>(1,819,787)</u>	<u>(1,621,638)</u>
Provision for liabilities	13	<u>(1,765)</u>	<u>-</u>
Net assets		<u><u>292,050</u></u>	<u><u>285,739</u></u>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account	15	291,950	285,639
		<u>292,050</u>	<u>285,739</u>
Shareholders' funds		<u><u>292,050</u></u>	<u><u>285,739</u></u>

These financial statements have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were authorised for issue by the board of directors on 31/8/11 and signed on its behalf by:

P C McWhirter
Director



Company Registration No: SC164481

The notes on pages 8 to 14 form part of these financial statements.

1 Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

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 April 2008).

Turnover

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

Group financial statements

The company has taken advantage of the exemption permitted in section 398 and 399 of the Companies Act 2006 and has not prepared group financial statements.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the full cost or valuation less estimated residual value of each asset over its estimated useful life. The principal rates in use are:

Heritable property	4% straight line
Motor vehicles	20% - 33% straight line

Deferred taxation

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 currency translation

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.

Hire purchase and lease transactions

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 period rate of charge on the net obligation outstanding each period.

Dividend Income

Dividend income is included when it is receivable.

2 Turnover

The turnover is attributable to the one principal activity of the company.

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

3 Other operating income

	<u>2010</u>	<u>2009</u>
	£	£
Sundry income	<u>1,238</u>	<u>-</u>

4 Operating profit

This is stated after charging:

	<u>2010</u>	<u>2009</u>
	£	£
Depreciation	77,712	62,939
(Profit)/loss on disposal of current asset investments	(19,338)	11,707
Auditors' remuneration - Audit fee	3,000	2,400
Auditors' remuneration - Non audit services	<u>13,586</u>	<u>-</u>

5 Directors' emoluments

	<u>2010</u>	<u>2009</u>
	£	£
Directors fees paid to third parties	<u>26,902</u>	<u>28,430</u>

6 Taxation on profit on ordinary activities

	<u>2010</u>	<u>2009</u>
	£	£
UK corporation tax - current year	6,032	24,726
Deferred taxation (note 13)	<u>1,765</u>	<u>-</u>
	<u>7,797</u>	<u>24,726</u>

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK.

There were no factors that may affect future tax charges.

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Tangible fixed assets

	Land and buildings	Motor vehicles	Total
	£	£	£
Cost			
At 1 January 2010	790,891	188,926	979,817
Additions	-	116,184	116,184
Disposals	-	(96,502)	(96,502)
At 31 December 2010	790,891	208,608	999,499
Depreciation			
At 1 January 2010	218,347	115,325	333,672
Charge for the year	32,832	44,880	77,712
Adjustments for disposals	-	(81,842)	(81,842)
At 31 December 2010	251,179	78,363	329,542
Net book value			
At 31 December 2010	539,712	130,245	669,957
At 31 December 2009	572,544	73,601	646,145

Included within fixed assets are assets held under finance leases or hire purchase contracts with a net book value of £117,094 (2009: £48,396).

The depreciation charge for the year includes £24,373 (2009: £41,419) in respect of assets leased under finance leases or under hire purchase contracts.

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

8 Investments

	Shares in group undertakings £
Cost (or valuation)	
At 1 January 2010	955,519
Depreciation	
Provision for diminution in value	(66,853)
Net book value at 31 December 2010	<u><u>888,666</u></u>

The investments brought forward at 1 January 2010 are shown at cost. Included in the brought forward balance is 100% 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 2010 were £2,138,232 (2009: £1,291,971) and the retained profit for the year before dividends was £1,135,404 (2009: £251,038).

Also included were the following investments:

- 100% of the issued share capital of Bitwise Europe BV. The capital and reserves of Bitwise Europe BV at 31 December 2010 were £32,815 (2009: £44,487) and the retained loss for the year was £968 (2009: retained profit of £4,500).
- 100% of the issued share capital of Bitwise RT Limited. The capital and reserves of Bitwise RT Limited at 31 December 2010 were £2,675 (2009: £272,213) and the retained loss for the year was £269,538 (2009: profit of £112,592). The directors have decided that a provision of £66,853 should be made against the investment since the company is now dormant and does not hold a value to the company.
- 75% of the share capital of Bitwise Nordic AB. The capital and reserves of Bitwise Nordic AB at 31 December 2010 were £45,093 (2009: £82,348) and the retained profit for the year was £572 (2009: £35,918).

9 Debtors

	2010 £	2009 £
Amounts owed by group undertakings	250,590	351,677
Other debtors	410,658	185,683
	<u><u>661,248</u></u>	<u><u>537,360</u></u>

Included within debtors are amounts of £647,329 (2009: £455,454) due after more than one year.

10 Current asset investments

	2010 £	2009 £
As at 1 January 2010	40,368	126,472
Additions	-	3,069
Disposals	(30,000)	(79,173)
Provision for diminution in value	-	(10,000)
As at 31 December 2010	<u><u>10,368</u></u>	<u><u>40,368</u></u>

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Creditors: amounts falling due within one year

	2010	2009
	£	£
Bank loans and overdrafts	57,700	79,808
Trade creditors	3,524	7,333
Amounts owing to group undertakings	21,504	11,534
Other creditors	24,641	134,296
Corporation tax	6,032	24,726
Obligations under finance leases and hire purchase	37,440	34,076
	<u>150,841</u>	<u>291,773</u>

The bank loan is secured by a Bond and Floating Charge over the whole assets of the company and also by a standard security over Crescent House, Carnegie Campus, Dunfermline. Finance leases and hire purchase are secured over the assets to which they relate.

12 Creditors: amounts falling due after more than one year

	2010	2009
	£	£
Bank loans	451,040	486,632
Amounts owed to group undertakings	1,199,983	993,261
Obligations under finance leases and hire purchase	51,585	11,233
Other creditors	117,179	130,512
	<u>1,819,787</u>	<u>1,621,638</u>

Secured creditors	<u>600,850</u>	<u>611,749</u>
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Amounts are due within the following periods:

Between one and two years	95,140	104,374
Between two and five years	267,243	319,423
In five years or more	1,456,458	1,197,841
	<u>1,818,841</u>	<u>1,621,638</u>

13 Provisions for liabilities

	2010	2009
	£	£
Accelerated capital allowances	1,765	-
Provision at start of year	-	-
Deferred tax charge in profit and loss account for year (note 6)	1,765	-
Provision at end of year	<u>1,765</u>	<u>-</u>

14 Called-up share capital

	2010	2009
	£	£
Allotted, called up and fully paid		
Equity shares:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 Reserves

	Profit and loss account
	£
At 1 January 2010	285,639
Profit for the year	231,491
Dividends paid (note 16)	(225,180)
At 31 December 2010	<u>291,950</u>

16 Dividends

	2010	2009
	£	£
On equity shares:		
Interim dividend in respect of the year	<u>225,180</u>	<u>225,180</u>

The directors do not propose a final dividend in respect of the year ended 31 December 2010.

17 Contingent liabilities

The company has received Government grants totalling £160,000 in prior years which have certain conditions attached. If these conditions were not to be met then there is a possibility of clawback of these grants. The directors are of the opinion that all conditions are currently being met by the company.

18 Controlling party

The ultimate controlling party is deemed to be Craig McWhirter who owns 51% of Bitwise Group BV, a company registered in the Netherlands, which owns 100% of the share capital of Bitwise Group Limited.

BITWISE GROUP LIMITED

Notes to the financial statements for the year ended 31 December 2010 (continued)

19 Related parties

The company owns 100% of Bitwise Limited. Bitwise Limited pay a commercial rent for Crescent House of £99,818 (2009: £99,818) from which the company trades. Bitwise Limited also pay rent in respect of a flat in Estonia which totalled £7,200 (2009: £7,200). During the year Bitwise Limited also paid £72,000 (2009: £72,000) for the rental of motor vehicles. The company has received a dividend during the year of £289,143 (2009: £291,217) from Bitwise Limited.

Included in amounts owed to group undertakings in creditors: amounts falling due after more than one year is £1,199,983 (2009: £993,261) due to Bitwise Limited. There are no repayment terms for repayment of this balance.

Included in amounts owed to group undertakings at the year end is an amount of £216 (2009: £216) due to Bitwise Europe BV, a company in which Bitwise Group Limited owns 100% of the share capital.

Included in amounts owed to group undertakings in creditors: amounts falling due within one year is an amount of £21,288 (2009: £11,318) due to the parent company, Bitwise Group BV, in respect of management charges. Management charges of £9,970 have been charged for the year (2009: £1,318).

During the year a loan balance of £28,125 due from Bitwise RT Limited, a company in which Bitwise Group Limited owns 100% of the share capital, was received by way of transfer of assets from the company.

Included in amounts owed by group undertakings in debtors at the year end is a loan receivable of £250,590 (2009: £250,590) from Estonian Estates, a company in which P C McWhirter and A G Smeaton are controlling shareholders. There are no repayment terms for this loan and the full amount remained outstanding at the year end.

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 £37,179 (2009: £37,179) was still owed to ScoNet and is included within other creditors in creditors: amounts falling due after more than one year.

Included in other debtors at the year end is a loan receivable of £126,739 (2009: £126,379) from Classic Cars Partnership, a partnership in which P C McWhirter and A G Smeaton are controlling partners. 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 (Director)	20,000
P C McWhirter (Director)	20,000
S Palmer	40,000

These loans are to be repaid on 30th June 2012 and are included within other creditors in creditors: amounts falling due after more than one year.

20 Other professional services provided by the auditors

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.