

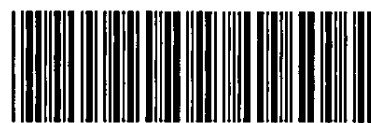
**BITWISE GROUP LIMITED**

***Registered Number SC164481***

**Directors' Report and Financial Statements**

**For the year ended 31 Decembor 2011**

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**BITWISE GROUP LIMITED**

**Directors' Report and Financial Statements**

**For the year ended 31 December 2011**

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**Directors**

P C McWhirter  
A G Smeaton

**Secretary and registered office**

CCW Secretaries Limited  
Crescent House  
Carnegie Campus  
Dunfermline  
KY11 8GR

**Registered number**  
SC164481

**Auditors**

Scott-Moncrieff  
Chartered Accountants  
Statutory Auditor  
Exchange Place 3  
Sempie 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 2011**

The directors submit their annual report and audited financial statements of the group for the year ended 31 December 2011.

#### **Principal activity, review of the business and future developments**

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

The principal activity of the main trading company, Bitwise Limited, continues to be software consultancy and supply.

The directors are satisfied with the results for the year and are confident that 2012 will also prove to be a successful year. The future activities are expected to remain the same.

#### **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 (excluding minority interests) was £736,231.

An interim dividend of £480,755 was paid during the year. The directors do not propose payment of a final dividend.

#### **Risks and uncertainties**

The group's governance structure is designed to oversee the proper management of risks inherent in conducting business. Internal processes and procedures have been implemented to manage financial integrity, business, operational and legal compliance risk.

#### **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 (resigned 24 February 2012)

#### **Statement of 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under that 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 group and of the profit or loss of the group, 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 accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

**BITWISE GROUP LIMITED**

**Directors' Report – continued**

**For the year ended 31 December 2011**

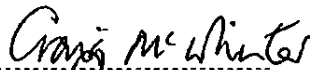
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Disclosure of Information to auditors**

In so far as the Directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The report was approved by the board on 28 September 2012 and signed on its behalf by:

  
P C McWhirter  
Director

## **BITWISE GROUP LIMITED**

### **Independent Auditor's Report to the Members**

**For the year ended 31 December 2011**

We have audited the group and parent company financial statements ("the financial statements") of Bitwise Group Limited for the year ended 31 December 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the group'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 group's members those matters we are required to state to them in an auditors' 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 group and the group'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 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 group's and the parent 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify any material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Auditor's Report to the Members - continued**

**For the year ended 31 December 2011**

**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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

*Scott-Moncrieff*

Michael Harkness (Senior Statutory Auditor)  
For and on behalf of Scott-Moncrieff, Statutory Auditor  
Chartered Accountants  
Exchange Place 3  
Sempie Street  
Edinburgh  
EH3 8BL

28 September 2012

**BITWISE GROUP LIMITED**

**Group Profit and Loss Account**

**For the year ended 31 December 2011**

|  | <b>Notes</b> | <b>2011<br/>£</b>     | <b>2010<br/>£</b>       |
|--|--------------|-----------------------|-------------------------|
| <b>Turnover</b>                                      |              | 5,987,062             | 5,576,426               |
| <b>Cost of sales</b>                                 |              | (3,117,197)           | (2,813,475)             |
| <b>Gross profit</b>                                  |              | <u>2,869,865</u>      | <u>2,762,951</u>        |
| Administration expenses                              |              | (1,844,599)           | (1,490,301)             |
| Inter-company loan written back                      |              | -                     | 268,998                 |
| Other income   |              | 30,906                | 5,992                   |
| <b>Operating profit</b>                              | <b>2</b>     | <u>1,056,172</u>      | <u>1,547,640</u>        |
| Amounts written off investments                      |              | -                     | (66,853)                |
| Interest receivable and similar income               | <b>4</b>     | 1,637                 | 305                     |
| Interest payable and similar charges                 | <b>3</b>     | (20,657)              | (24,999)                |
| <b>Profit on ordinary activities before taxation</b> |              | <u>1,037,152</u>      | <u>1,456,093</u>        |
| <b>Taxation</b>                                      | <b>7</b>     | (301,120)             | (377,684)               |
| <b>Profit on ordinary activities after taxation</b>  |              | <u><u>736,032</u></u> | <u><u>1,078,409</u></u> |
| <b>Attributable to:</b>                              |              |                       |                         |
| Equity holders of the parent                         | <b>17</b>    | 736,231               | 1,078,245               |
| Minority interest                                    | <b>18</b>    | (199)                 | 164                     |
|  |              | <u><u></u></u>        | <u><u></u></u>          |

The notes on pages 11 to 25 form part of these financial statements

**BITWISE GROUP LIMITED**

**Group Statement of Total Recognised Gains and Losses**

**For the year ended 31 December 2011**

**Group Statement of Total Recognised Gains and Losses**

|  | <b>2011</b>    | <b>2010</b>      |
|--|----------------|------------------|
|  | <b>£</b>       | <b>£</b>         |
| Retained profit for the financial year                   | 736,032        | 1,078,409        |
| Exchange translation differences on consolidation        | (1,111)        | 970              |
|  | <hr/>          | <hr/>            |
| Total recognised gains and losses for the financial year | <u>734,921</u> | <u>1,079,379</u> |

The notes on pages 11 to 25 form part of these financial statements



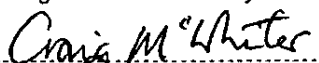
**BITWISE GROUP LIMITED**

**Group Balance Sheet**

**As at 31 December 2011**

|  | Notes | 2011               | 2010               |
|--|-------|--------------------|--------------------|
|  |       | £                  | £                  |
| <b>Fixed assets</b>  |       |                    |                    |
| Tangible assets  | 9     | 738,965            | 705,705            |
| <b>Current assets</b>  |       |                    |                    |
| Investments  | 11    | 10,368             | 10,368             |
| Debtors  | 12    | 2,317,572          | 1,954,677          |
| Cash at bank and in hand                                       | 22    | 879,559            | 667,638            |
|  |       | <u>3,207,499</u>   | <u>2,632,683</u>   |
| <b>Creditors: Amounts falling due within one year</b>          | 13    | <u>(1,369,674)</u> | <u>(1,060,348)</u> |
| <b>Net current assets</b>                                      |       | <u>1,837,825</u>   | <u>1,572,335</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>2,576,790</u>   | <u>2,278,040</u>   |
| <b>Creditors: Amounts falling due after more than one year</b> | 14    | <u>(677,072)</u>   | <u>(619,804)</u>   |
| <b>Provision for liabilities</b>                               | 15    | <u>(7,407)</u>     | <u>(1,765)</u>     |
|  |       | <u>1,892,311</u>   | <u>1,656,471</u>   |
| <b>Capital and reserves</b>                                    |       |                    |                    |
| Called up equity share capital                                 | 16    | 100                | 100                |
| Profit and loss account  | 17    | 1,882,372          | 1,627,551          |
| Other reserves   | 17    | -                  | 13,965             |
| <b>Shareholders' funds</b>                                     | 19    | <u>1,882,472</u>   | <u>1,641,616</u>   |
| <b>Minority interest</b>                                       | 18    | <u>9,839</u>       | <u>14,855</u>      |
|  |       | <u>1,892,311</u>   | <u>1,656,471</u>   |

The financial statements were authorised for issue by the Board on 28 September 2012 and are signed on its behalf by:

  
P C McWhirter  
Director

Company Number: SC164481

The notes on pages 11 to 25 form part of these financial statements

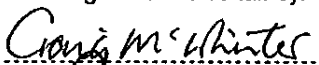
**BITWISE GROUP LIMITED**

**Company Balance Sheet**

**As at 31 December 2011**

|  | Notes | 2011             | 2010             |
|--|-------|------------------|------------------|
|  |       | £                | £                |
| <b>Fixed assets</b>  |       |                  |                  |
| Tangible assets  | 9     | 701,880          | 669,957          |
| Investments  | 10    | 844,179          | 844,179          |
|  |       | <u>1,546,059</u> | <u>1,514,136</u> |
| <b>Current assets</b>  |       |                  |                  |
| Investments  | 11    | 10,368           | 10,368           |
| Debtors  | 12    | 1,183,500        | 684,446          |
| Cash at bank and in hand                                       |       | 254,172          | 34,204           |
|  |       | <u>1,448,040</u> | <u>729,018</u>   |
| <b>Creditors: Amounts falling due within one year</b>          | 13    | <u>(511,440)</u> | <u>(129,552)</u> |
| <b>Net current assets</b>                                      |       | <u>936,600</u>   | <u>599,466</u>   |
| <b>Total assets less current liabilities</b>                   |       | <u>2,482,659</u> | <u>2,113,602</u> |
| <b>Creditors: Amounts falling due after more than one year</b> | 14    | (2,245,783)      | (1,819,787)      |
| <b>Provision for liabilities</b>                               | 15    | <u>(7,407)</u>   | <u>(1,765)</u>   |
| <b>Net assets</b>  |       | <u>229,469</u>   | <u>292,050</u>   |
| <b>Capital and reserves</b>                                    |       |                  |                  |
| Called up equity share capital                                 | 16    | 100              | 100              |
| Profit and loss account  | 17    | 229,369          | 291,950          |
| <b>Shareholders' funds</b>                                     | 19    | <u>229,469</u>   | <u>292,050</u>   |

The financial statements were authorised for issue by the Board on 28 September 2012 and are signed on its behalf by:

  
P C McWhirter  
Director

Company Number: SC164481

The notes on pages 11 to 25 form part of these financial statements

**BITWISE GROUP LIMITED**

**Group Cash Flow Statement**

**For the year ended 31 December 2011**

|  | Notes | 2011      |           | 2010      |           |
|--|-------|-----------|-----------|-----------|-----------|
|  |       | £         | £         | £         | £         |
| <b>Net cash inflow from operating activities</b>       | 21    |           | 1,160,023 |           | 1,044,043 |
| <b>Returns on investments and servicing of finance</b> |       |           |           |           |           |
| Interest received                                      |       | 1,637     |           | 305       |           |
| Interest paid  |       | (20,657)  |           | (24,999)  |           |
|  |       |           | (19,020)  |           | (24,694)  |
| <b>Taxation</b>  |       |           |           |           |           |
| Corporation tax paid                                   |       |           | (552,271) |           | (375,919) |
| <b>Capital expenditure and financial investment</b>    |       |           |           |           |           |
| Purchase of tangible fixed assets                      |       | (153,941) |           | (134,149) |           |
| Disposal of tangible fixed assets                      |       | 10,812    |           | 63,999    |           |
|  |       |           |           |           |           |
| <b>Net cash (outflow) from investing activities</b>    |       |           | (143,129) |           | (70,150)  |
| <b>Equity dividends paid</b>                           |       |           | (480,755) |           | (225,180) |
| <b>Net cash (outflow)/inflow before financing</b>      |       |           | (35,152)  |           | 348,100   |
| <b>Financing</b>                                       |       |           |           |           |           |
| Increase in bank borrowings                            |       | 191,924   |           | (57,700)  |           |
| Increase in hire purchase financing                    |       | 55,149    |           | 43,716    |           |
|  |       |           | 247,073   |           | (13,984)  |
| <b>Net cash inflow for the year</b>                    | 22    |           | 211,921   |           | 334,116   |

The notes on pages 11 to 25 form part of these financial statements

## **BITWISE GROUP LIMITED**

### **Notes to the Financial Statements**

**For the year ended 31 December 2011**

#### **1. Accounting Policies**

##### ***Basis of accounting***

The financial statements are prepared on the historical cost basis and have been prepared in accordance with applicable accounting standards in the United Kingdom.

##### ***Going concern***

The directors are of the opinion that the company and group can meet its obligations as they fall due for the foreseeable future and as a consequence the directors have prepared the accounts on a going concern basis.

##### ***Basis of consolidation***

The group financial statements consolidate the financial statements of the company and all undertakings over which the group exercises a dominant influence. Results of subsidiary undertakings are included from the date of acquisition and to the date of disposal. No profit and loss account has been prepared for the company as provided by section 408 of the Companies Act 2006.

##### ***Turnover***

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

##### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation.

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 useful life. The principal rates in use are as follows:

|                                  |                         |
|----------------------------------|-------------------------|
| Heritable property               | 4% straight line        |
| Equipment, fixtures and fittings | 25% straight line       |
| Plant and machinery              | 25% straight line       |
| Motor Vehicles                   | 20% - 30% straight line |

##### ***Goodwill***

Goodwill is the difference between the cost of the acquired entity and the aggregate of the fair values of that entity's identifiable assets and liabilities. Goodwill is written off on the date of acquisition.

##### ***Operating leases***

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

## **BITWISE GROUP LIMITED**

### **Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

#### ***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.

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**2. Operating Profit**

|  | <b>2011</b>   | <b>Group</b> | <b>2010</b>   |
|--|---------------|--------------|---------------|
|  | <b>£</b>      |              | <b>£</b>      |
| The group's operating profit is stated after charging: |               |              |               |
| - Depreciation of tangible assets                      | 120,644       |              | 103,811       |
| - Auditors' remuneration – audit                       | 15,775        |              | 13,800        |
| - Auditors' remuneration – other                       | 3,198         |              | 21,019        |
| - Exchange loss on settled transactions                | -             |              | -             |
| - Gain on disposal of fixed assets                     | 10,775        |              | 19,339        |
|  | <u>10,775</u> |              | <u>19,339</u> |

Auditors' remuneration includes £5,575 (2010: £3,000) payable in respect of the company.

**3. Interest Payable and Similar Charges**

|                              | <b>2011</b>   | <b>Group</b> | <b>2010</b>   |
|------------------------------|---------------|--------------|---------------|
|                              | <b>£</b>      |              | <b>£</b>      |
| On bank loans and overdrafts | 11,302        |              | 12,985        |
| Other interest               | 9,355         |              | 12,014        |
|                              | <u>20,657</u> |              | <u>24,999</u> |

**4. Interest Receivable and Similar Income**

|                  | <b>2011</b>  | <b>Group</b> | <b>2010</b> |
|------------------|--------------|--------------|-------------|
|                  | <b>£</b>     |              | <b>£</b>    |
| On bank deposits | 1,637        |              | 302         |
| Other interest   | -            |              | 3           |
|                  | <u>1,637</u> |              | <u>305</u>  |

# BITWISE GROUP LIMITED

## Notes to the Financial Statements – continued

For the year ended 31 December 2011

### 5. Directors' Remuneration

|                                     | 2011<br>£      | 2010<br>£      |
|-------------------------------------|----------------|----------------|
| Directors' fees paid to a 3rd party | 27,582         | 26,902         |
| Directors' emoluments and benefits  | 144,613        | 154,444        |
|                                     | <u>172,195</u> | <u>181,346</u> |

During the year retirement benefits were accruing to 2 directors (2010 – 2) in respect of money purchase pension schemes.

### 6. Staff Costs and Numbers

|                             | 2011<br>£        | Group<br>2010<br>£ |
|-----------------------------|------------------|--------------------|
| Staff costs were as follow: |                  |                    |
| - Wages and salaries        | 3,303,689        | 2,956,378          |
| - Social security costs     | 362,124          | 315,100            |
| - Pension costs             | 58,500           | 55,742             |
|                             | <u>3,724,313</u> | <u>3,327,220</u>   |

The accrued pension contributions at the year end were £20,500 (2010: £5,500).

The average monthly number of group employees was 77 (2010: 77).

### 7. Taxation

|   | 2011<br>£      | Group<br>2010<br>£ |
|---|----------------|--------------------|
| Current tax:                              |                |                    |
| UK corporation tax at 26.49% (2010 – 21%) | 291,301        | 374,979            |
| Adjustment in respect of prior years      | 3,562          | -                  |
| Foreign tax                               | 615            | 940                |
|   | <u>295,478</u> | <u>375,919</u>     |
| Transfer to deferred taxation (Note 15)   | 5,642          | 1,765              |
|   | <u>301,120</u> | <u>377,684</u>     |

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**7. Taxation - continued**

The tax assessed for the year differs from the standard rate of tax as follows:

|   | <b>2011</b>    | <b>2010</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Profit on ordinary activities before tax                                      | 1,037,152      | 1,456,093      |
| Profit on ordinary activities at standard rate of tax – 26.49%<br>(2010: 21%) | 274,742        | 305,780        |
| Expenses not deductible for tax purposes                                      | 8,317          | 21,028         |
| Expenses not deductible for tax purposes – fixed assets                       | 9,142          | 6,913          |
| Exempt income   | -              | (56,490)       |
| Capital allowances in excess of depreciation                                  | (6,242)        | (8,454)        |
| Timing differences in relation to accelerated capital allowances              | 5,642          | 2,400          |
| Adjustments to tax charge in respect of previous periods                      | 4,225          | 605            |
| Tax payable under S455 CTA 2010   | 1,287          | 18,797         |
| Change in tax rate  | -              | 88,129         |
| Other short term timing differences   | 4,007          | (1,024)        |
|   | <u>301,120</u> | <u>377,684</u> |

**8. Dividends**

|   | <b>Group and Company</b> |                |
|---|--------------------------|----------------|
|   | <b>2011</b>              | <b>2010</b>    |
|   | <b>£</b>                 | <b>£</b>       |
| Interim equity dividend paid 480,755 pence per share (2010 – 225,180) | <u>480,755</u>           | <u>225,180</u> |



**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**9. Tangible Fixed Assets**

|   | <b>Group</b>   |                | <b>Company</b> |                |
|---|----------------|----------------|----------------|----------------|
|   | <b>2011</b>    | <b>2010</b>    | <b>2011</b>    | <b>2010</b>    |
|   | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>Equipment, fixtures and fittings, plant and machinery and motor vehicles</b> |                |                |                |                |
| <b>Cost</b>   |                |                |                |                |
| At 1 January 2011   | 547,870        | 505,026        | 208,608        | 188,926        |
| Transfer from Bitwise RT Limited  | -              | 14,444         | -              | -              |
| Additions   | 153,941        | 134,149        | 135,601        | 116,184        |
| Disposals   | (66,705)       | (105,749)      | (44,184)       | (96,502)       |
| <b>At 31 December 2011</b>  | <b>635,106</b> | <b>547,870</b> | <b>300,025</b> | <b>208,608</b> |
| <b>Depreciation</b>   |                |                |                |                |
| At 1 January 2011   | 381,877        | 392,528        | 78,363         | 115,325        |
| Transfer from Bitwise RT Limited  | -              | 9,459          | -              | -              |
| On disposals  | (66,668)       | (91,089)       | (44,184)       | (81,842)       |
| Charge for the year   | 86,136         | 70,979         | 69,170         | 44,880         |
| <b>At 31 December 2011</b>  | <b>401,345</b> | <b>381,877</b> | <b>103,349</b> | <b>78,363</b>  |
| <b>Net book value at 31 December 2011</b>                                       | <b>233,761</b> | <b>165,993</b> | <b>196,676</b> | <b>130,245</b> |
| <b>Net book value at 1 January 2011</b>   | <b>165,993</b> | <b>112,498</b> | <b>130,245</b> | <b>73,601</b>  |

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**9. Tangible Fixed Assets - continued**

|  | <b>Group</b>   |                | <b>Company</b> |                |
|--|----------------|----------------|----------------|----------------|
|  | <b>2011</b>    | <b>2010</b>    | <b>2011</b>    | <b>2010</b>    |
|  | <b>£</b>       | <b>£</b>       | <b>£</b>       | <b>£</b>       |
| <b>Land and Buildings</b>              |                |                |                |                |
| <b>Cost</b>                            |                |                |                |                |
| At 1 January 2011 and 31 December 2011 | <u>790,891</u> | <u>790,891</u> | <u>790,891</u> | <u>790,891</u> |
| <b>Depreciation</b>                    |                |                |                |                |
| At 1 January 2011                      | 251,179        | 218,347        | 251,179        | 218,347        |
| Charge for the year                    | <u>34,508</u>  | <u>32,832</u>  | <u>34,508</u>  | <u>32,832</u>  |
| At 31 December 2011                    | <u>285,687</u> | <u>251,179</u> | <u>285,687</u> | <u>251,179</u> |
| <b>Net Book Value</b>                  |                |                |                |                |
| At 31 December 2011                    | <u>505,204</u> | <u>539,712</u> | <u>505,204</u> | <u>539,712</u> |
| At 1 January 2011                      | <u>539,712</u> | <u>572,544</u> | <u>539,712</u> | <u>572,544</u> |
| <b>Total Net Book Value</b>            |                |                |                |                |
| At 31 December 2011                    | <u>738,965</u> | <u>705,705</u> | <u>701,880</u> | <u>669,957</u> |
| At 1 January 2011                      | <u>705,705</u> | <u>685,042</u> | <u>669,957</u> | <u>648,145</u> |

Included within fixed assets of the group and the company are assets held under finance leases or hire purchase contracts with a net book value of £184,618 (2010: £117,094).

The depreciation charge for the year of the group the group and the company includes £68,078 (2010: £24,373) in respect of assets leased under finance leases or under hire purchase contracts.

# **BITWISE GROUP LIMITED**

## **Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

### **10. Investments**

#### **Group**

|                   | <b>Shares In Group<br/>Undertakings<br/>£</b> |
|-------------------|---|
| <b>Cost</b>       |   |
| At 1 January 2011 | -   |
| Addition          | -   |
|                   | <hr/>   |
| <b>Total</b>      | -   |
|                   | <hr/> <hr/>                                   |

#### **Company**

|                   | <b>Shares In Group<br/>Undertakings<br/>£</b> |
|-------------------|---|
| <b>Cost</b>       |   |
| At 1 January 2011 | 844,179                                       |
| Addition          | -   |
|                   | <hr/>   |
| <b>Total</b>      | 844,179                                       |
|                   | <hr/> <hr/>                                   |

The following companies were subsidiaries of Bitwise Group Limited at the year end and the investments are as follows:

| <b>Subsidiary</b>   | <b>Proportion<br/>of Shares<br/>Held</b> | <b>Location &amp;<br/>Registered<br/>Office</b> | <b>Business</b>      | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|---------------------|--|---|----------------------|-------------------|-------------------|
| Bitwise Limited     | 100%                                     | Scotland  | Software Consultancy | 836,067           | 836,067           |
| Bitwise Nordic AB   | 75%                                      | Sweden  | Software Consultancy | 8,112             | 8,112             |
|                     |  |   |                      | <hr/>             | <hr/>             |
| At 31 December 2011 |  |   |                      | 844,179           | 844,179           |
|                     |  |   |                      | <hr/> <hr/>       | <hr/> <hr/>       |

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**11. Current asset investments**

| <b>Group and Company</b> | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
|--------------------------|-------------------|-------------------|
| At 1 January 2011        | 10,368            | 40,368            |
| Disposal                 | -                 | (30,000)          |
| At 31 December 2011      | <u>10,368</u>     | <u>10,368</u>     |

**12. Debtors**

|  | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>2011<br/>£</b> | <b>2010<br/>£</b> | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
| Trade debtors                                  | 941,353           | 943,673           | -                 | -                 |
| Amounts owed by group and related undertakings | 987,407           | 463,413           | 900,527           | 400,527           |
| Other debtors                                  | 388,812           | 547,591           | 282,973           | 283,919           |
|  | <u>2,317,572</u>  | <u>1,954,677</u>  | <u>1,183,500</u>  | <u>684,446</u>    |

**13. Creditors: Amounts falling due within one year**

|  | <b>Group</b>      |                   | <b>Company</b>    |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | <b>2011<br/>£</b> | <b>2010<br/>£</b> | <b>2011<br/>£</b> | <b>2010<br/>£</b> |
| Trade creditors                                    | 106,710           | 26,397            | 1,451             | 3,524             |
| Bank loan and overdraft                            | 139,046           | 57,700            | 139,046           | 57,700            |
| Corporation tax                                    | 123,066           | 379,859           | 1,765             | 6,032             |
| Amounts due to group and related undertakings      | 400,884           | 30,252            | 251,736           | 215               |
| Other taxes and social security costs              | 355,764           | 325,123           | 1,162             | -                 |
| Other creditors                                    | 178,305           | 203,577           | 50,381            | 24,641            |
| Obligations under finance leases and hire purchase | 65,899            | 37,440            | 65,899            | 37,440            |
|  | <u>1,369,674</u>  | <u>1,060,348</u>  | <u>511,440</u>    | <u>129,552</u>    |

The bank loan and overdraft 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.

# **BITWISE GROUP LIMITED**

## **Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

### **14. Creditors: Amounts falling due after one year**

|  | Group          |                | Company          |                  |
|--|----------------|----------------|------------------|------------------|
|  | 2011           | 2010           | 2011             | 2010             |
|  | £              | £              | £                | £                |
| Bank loan  | 561,618        | 451,040        | 561,618          | 451,040          |
| Other creditors                                    | 37,179         | 117,179        | 37,179           | 117,179          |
| Amounts owed to group and related undertakings     | -              | -              | 1,568,711        | 1,199,983        |
| Obligations under finance leases and hire purchase | 78,275         | 51,585         | 78,275           | 51,585           |
|  | <u>677,072</u> | <u>619,804</u> | <u>2,245,783</u> | <u>1,819,787</u> |

Details of security granted in relation to the bank loan are provided in note 13.

Amounts are due within the following period:

|                            | Group          |                | Company          |                  |
|----------------------------|----------------|----------------|------------------|------------------|
|                            | 2011           | 2010           | 2011             | 2010             |
|                            | £              | £              | £                | £                |
| Between one and two years  | 197,911        | 95,139         | 197,911          | 95,139           |
| Between two and five years | 284,972        | 187,245        | 284,972          | 187,245          |
| In five years or more      | 194,189        | 337,420        | 1,762,900        | 1,537,403        |
|                            | <u>677,072</u> | <u>619,804</u> | <u>2,245,783</u> | <u>1,819,787</u> |

### **15. Provision for Liabilities**

Deferred tax provided in the financial statements is as follows:

|  | Group and Company |              |
|--|-------------------|--------------|
|  | 2011              | 2010         |
|  | £                 | £            |
| Accelerated capital allowances   | 7,407             | 1,765        |
|  | <u>7,407</u>      | <u>1,765</u> |
| The movements in the deferred tax provision during the year were as follows: |                   |              |
| At 1 January 2011  | 1,765             | -            |
| Movement in year   | 5,642             | 1,765        |
| At 31 December 2011  | <u>7,407</u>      | <u>1,765</u> |

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements - continued**

**For the year ended 31 December 2011**

**16. Equity Share Capital and Reserves**

|  | 2011<br>£  | 2010<br>£  |
|--|------------|------------|
| <i>Share capital</i>                             |            |            |
| Issued equity share capital – Ordinary £1 shares | <u>100</u> | <u>100</u> |

**17. Reserves**

| Group                      | Profit and<br>Loss Account<br>£ | Other<br>Reserves<br>£ | Total<br>2011<br>£ | Total<br>2010<br>£ |
|----------------------------|---------------------------------|------------------------|--------------------|--------------------|
| At 1 January 2011          | 1,627,551                       | 13,965                 | 1,641,516          | 788,563            |
| Profit for the year        | 736,232                         | -                      | 736,232            | 1,078,245          |
| Dividends paid in the year | (480,755)                       | -                      | (480,755)          | (225,180)          |
| Other movements            | -                               | (13,744)               | (13,744)           | (877)              |
| Exchange loss              | (656)                           | (221)                  | (877)              | 765                |
| At 31 December 2011        | <u>1,882,372</u>                | <u>-</u>               | <u>1,882,372</u>   | <u>1,641,516</u>   |

| Company                    | Profit and<br>Loss Account<br>£ | Other<br>Reserves<br>£ | Total<br>2011<br>£ | Total<br>2010<br>£ |
|----------------------------|---------------------------------|------------------------|--------------------|--------------------|
| At 1 January 2011          | 291,950                         | -                      | 291,950            | 285,639            |
| Profit for the year        | 418,174                         | -                      | 418,174            | 231,491            |
| Dividends paid in the year | (480,755)                       | -                      | (480,755)          | (225,180)          |
| At 31 December 2011        | <u>229,369</u>                  | <u>-</u>               | <u>229,369</u>     | <u>291,950</u>     |

**18. Minority Interest**

| Group                  | 2011<br>£    | 2010<br>£     |
|------------------------|--------------|---------------|
| As at 1 January 2011   | 14,855       | 14,777        |
| Share of (loss)/profit | (199)        | 164           |
| Other movements        | (4,582)      | 207           |
| Exchange loss          | (235)        | (293)         |
| At 31 December 2011    | <u>9,839</u> | <u>14,855</u> |

# BITWISE GROUP LIMITED

## Notes to the Financial Statements - continued

For the year ended 31 December 2011

### 19. Reconciliation of Movements in Shareholders' Funds

#### Group

|                                      | 2011<br>£        | 2010<br>£        |
|--------------------------------------|------------------|------------------|
| Profit for the financial year        | 736,232          | 1,078,245        |
| Dividends                            | (480,755)        | (225,180)        |
| Other movements                      | (13,744)         | (877)            |
|                                      | <u>241,733</u>   | <u>852,188</u>   |
| Opening shareholders' funds          | 1,641,616        | 788,663          |
| Exchange difference on consolidation | (877)            | 765              |
| Closing shareholders' funds          | <u>1,882,472</u> | <u>1,641,616</u> |

#### Company

|                               | 2011<br>£       | 2010<br>£      |
|-------------------------------|-----------------|----------------|
| Profit for the financial year | 418,174         | 231,491        |
| Dividends paid                | (480,755)       | (225,180)      |
|                               | <u>(62,581)</u> | <u>6,311</u>   |
| Opening shareholders' funds   | 292,050         | 285,739        |
| Closing shareholders' funds   | <u>229,469</u>  | <u>292,050</u> |

### 20. Commitments

#### Operating leases

At 31 December 2011 the group had annual commitments under operating leases as follows:

|                                | Land and Buildings<br>£ | Total<br>£     |
|--------------------------------|-------------------------|----------------|
| Operating leases which expire: |                         |                |
| - within one year              | 42,936                  | 42,936         |
| - over five years              | 107,018                 | 107,018        |
|                                | <u>149,954</u>          | <u>149,954</u> |

**BITWISE GROUP LIMITED**

**Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

**21. Reconciliation of Operating Profit to Operating Cash Flows**

|   | <b>Group</b>     |                  |
|---|------------------|------------------|
|   | <b>2011</b>      | <b>2010</b>      |
|   | <b>£</b>         | <b>£</b>         |
| Operating profit                          | 1,056,172        | 1,547,640        |
| Depreciation                              | 120,644          | 103,811          |
| Gain on disposal of fixed assets          | (10,775)         | (19,339)         |
| Other income                              | (18,326)         | (1,170)          |
| Decrease/(increase) in debtors            | (362,895)        | (456,557)        |
| Increase/(decrease) in creditors          | 376,314          | (131,312)        |
| Exchange (loss)/gain                      | (1,111)          | 970              |
| Net cash inflow from operating activities | <u>1,160,023</u> | <u>1,044,043</u> |

**22. Analysis of Net Funds - Group**

|                          | <b>At</b>        | <b>Cash flow</b> | <b>At</b>          |
|--------------------------|------------------|------------------|--------------------|
|                          | <b>1 January</b> |                  | <b>31 December</b> |
|                          | <b>2011</b>      |                  | <b>2011</b>        |
|                          | <b>£</b>         | <b>£</b>         | <b>£</b>           |
| Cash at bank and in hand | 667,638          | 211,921          | 879,559            |
| Bank loans and overdraft | (57,700)         | (81,346)         | (139,046)          |
| Debt due after one year  | (451,040)        | (110,578)        | (561,618)          |
|                          | <u>158,898</u>   | <u>19,997</u>    | <u>178,895</u>     |

**23. Reconciliation of Net Cash Flow to Movement In Net Funds**

|                               | <b>Group</b>   |                |
|-------------------------------|----------------|----------------|
|                               | <b>2011</b>    | <b>2010</b>    |
|                               | <b>£</b>       | <b>£</b>       |
| Change in cash in the year    | 211,921        | 334,117        |
| Change in debt financing      | (191,924)      | 57,700         |
| Net funds at 1 January 2011   | 158,898        | (232,919)      |
| Net funds at 31 December 2011 | <u>178,895</u> | <u>158,898</u> |



## BITWISE GROUP LIMITED

### Notes to the Financial Statements – continued

For the year ended 31 December 2011

#### 24. Related Parties

The results of Bitwise Limited and Bitwise Nordic AB are consolidated with those of Bitwise Group Limited. Exemption has therefore been taken under FRS 8 from disclosing related party transactions between the subsidiaries and the parent company.

Included in amounts owed to group undertakings at the year end is an amount of £216 (2010: £216) due to Bitwise Europe BV, a company in which Bitwise Group BV 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 (2010: £21,288) due to the parent company, Bitwise Group BV, in respect of management charges. Management charges of £nil have been charged for the year (2010: £9,970).

Included in amounts owed to group undertakings in creditors: amounts falling due within one year is an amount of £151,520 (2010: £nil) due to Charlestown Apartments Limited, a joint venture in which P C McWhirter has joint control, in respect of the unpaid preference shares investment made during the year.

When the company purchased the shareholding in Bitwise Limited £371,287 was payable to Nesco Holding BV (previously named ScoNet), a company wholly owned by P C McWhirter. Management charges of £100,000 have been charged for the year. At the year end £137,179 (2010: £37,179) was still owed to Nesco Holding BV and is included within other creditors in creditors: amounts falling due after more than one year.

Included in amounts owed by group undertakings in debtors at the year end is a loan receivable of £126,739 (2010: £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.

Included in amounts owed by group undertakings in debtors at the year end is a loan receivable of £250,590 (2010: £250,590) from Estonia Estates, a company 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<br>2011<br>£ | Loan<br>2010<br>£ |
|--------------------------|-------------------|-------------------|
| A G Smeaton (Director)   | 20,000            | 20,000            |
| P C McWhirter (Director) | 20,000            | 20,000            |
| S Palmer                 | nil               | 40,000            |

## **BITWISE GROUP LIMITED**

### **Notes to the Financial Statements – continued**

**For the year ended 31 December 2011**

#### **24. Related Parties - continued**

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.

At the year end there is an amount payable from Bitwise Europe BV, a subsidiary of Bitwise Group BV, to Bitwise Limited of £43,530 (2010: £51,886, net of an amount included in creditors of £20,067).

At the year end there is an amount payable to Bitwise Limited from Estonian Estates, a company in which P C McWhirter and A G Smeaton are controlling shareholders, of £21,112 (2010: £11,000)

During the year, no management charges (2010: £9,970) were paid to Bitwise Group BV, the ultimate parent company, by Bitwise Limited. At the year end there is an amount payable by Bitwise Limited to Bitwise Group BV of £nil (2010: £9,970).

J B Clarke has a material interest in CCW Business Services Limited for which Bitwise Limited obtained services from during the year amounting to £19,739 (2010: £15,911). At the year end £900 was outstanding as payable in creditors (2010: £881).

At the year end Bitwise Limited owed £32,351 to P C McWhirter (2010: £127,990) this being included in other creditors. There are no payment conditions attached to the loan and no interest is payable on the outstanding balance.

At the year end £3,865 (2010: £58,098) is due from A G Smeaton to Bitwise Limited. Additionally, two directors owe Bitwise Limited £22,238 (2010: £17,090) for the purchase of a property, this is included in the amounts owed by group undertakings. There are no payment conditions attached to these loans and no interest is payable on the outstanding balances.

#### **24. Pension commitments and other post-retirement benefits**

##### **Defined contribution scheme**

Bitwise Limited and Bitwise Europe B.V. operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the companies in independently administered funds. The pension cost and charge represents contributions payable by the companies to the funds and amounted to £74,489 (2010: £64,744).

#### **25. Contingent liabilities**

The company and Bitwise Limited received Government grants totalling £160,000 and £80,000 during prior years which have certain conditions attached. If these conditions are not to be met 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 and Bitwise Limited.

#### **26. Non-audit services**

In common with many other organisations of its size and nature, the company uses its auditors to assist with preparation of the statutory financial statements and prepare and submit returns to the tax authorities.

#### **27. Ultimate parent undertaking and 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.