

POCKET WATCH SYSTEMS LIMITED

Report and Accounts

31 December 2003

Registered Number: SC 209623



POCKET WATCH SYSTEMS LIMITED

COMPANY INFORMATION

Registered No. SC209623

DIRECTORS

A. Heneveld
R. Strong
J. Swan
K. Winton
D. Gray
J. MacDonald

SECRETARY

Edinburgh Technology Fund Limited.

BANKERS

Royal Bank of Scotland
6-8 George Street
Edinburgh
EH2 2SA

REGISTERED AUDITORS

Scott & Paterson
Bruntsfield House
6 Bruntsfield Terrace
Edinburgh
EH10 4EX

SOLICITORS

McGrigor Donald
Princess Exchange
1 Earl Grey Street
Edinburgh
EH3 9AQ

REGISTERED OFFICE

Roslin BioCentre
Roslin
Midlothian
EH25 9PS

POCKET WATCH SYSTEMS LIMITED

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POCKET WATCH SYSTEMS LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts of the company for the year ended 31 December 2003.

The company changed its name from Pocket Watch Projects Limited to Pocket Watch Systems Limited on 28th August 2003

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £210,060 (2002 £278,250). The directors do not recommend a final ordinary dividend, and the loss for the year is transferred to reserves.

PRINCIPAL ACTIVITY

The principal activity of the company is the development and sale of software.

REVIEW OF THE BUSINESS

During the year the company has continued to develop its category-leading software that links mobile users to the information stored on their personal computer. The company's first product, Pockethub, has been on sale since June 2003.

DIRECTORS

The directors of the company during the year and their interests in the share capital of the company were as follows:

	At 31 December 2003 <i>Ordinary Shares of £0.01</i>	At 31 December 2002 <i>Ordinary Shares of £0.01</i>
	No.	No.
A. Heneveld	1,068	1,051
R. Strong	0	0
J. Swan	0	0
K. Winton	0	0
D. Gray	1,115	899
J. MacDonald	63	63

POST BALANCE SHEET EVENTS

Since the year end the directors have decided to recommend to the members that the company be placed in members' voluntary liquidation.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Scott & Paterson be reappointed as auditors of the company will be put to the Annual General Meeting.

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;

POCKET WATCH SYSTEMS LIMITED

DIRECTORS' REPORT

-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.

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

By order of the Board



for and on behalf of
Edinburgh Technology Fund Limited.

Secretary

24/4/04

POCKET WATCH SYSTEMS LIMITED

AUDITORS' REPORT

POCKET WATCH SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF POCKET WATCH SYSTEMS LIMITED

We have audited the financial statements of Pocket Watch Systems Limited on pages 5 to 9 for the year ended 31 December 2003. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

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 the directors and auditors

As described in the statement of directors' responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with 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.

POCKET WATCH SYSTEMS LIMITED

AUDITORS' REPORT

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Scott & Paterson

Chartered Accountants

REGISTERED AUDITORS

3 May 2004

Bruntsfield House

6 Bruntsfield Terrace
Edinburgh
EH10 4EX

POCKET WATCH SYSTEMS LIMITED
 PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 2003

	<i>Note</i>	<i>2003</i> £	<i>2002</i> £
TURNOVER		2,545	-
Cost of sales		(6,583)	-
GROSS (LOSS)/PROFIT		(4,038)	-
Administrative expenses		(230,306)	(279,113)
OPERATING LOSS	2	(234,344)	(279,113)
Bank interest receivable		1,232	863
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(233,112)	(278,250)
Taxation	4	23,052	-
RETAINED LOSS FOR THE YEAR		(210,060)	(278,250)

There are no recognised gains or losses other than the loss for the year stated above.

POCKET WATCH SYSTEMS LIMITED
BALANCE SHEET
at 31 December 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	5	500	1,137
CURRENT ASSETS			
Debtors	6	9,227	17
Cash at bank and in hand		43,117	44,265
		52,344	44,282
CREDITORS: amounts falling due within one year	7	17,181	5,138
NET CURRENT ASSETS		35,163	39,144
TOTAL ASSETS LESS CURRENT LIABILITIES		35,663	40,281
CREDITORS: amounts falling due after more than one year		-	-
		35,663	40,281
CAPITAL AND RESERVES			
Called up share capital	8	2,554	2,537
Share premium account	9	975,400	769,975
Profit and loss account	9	(942,291)	(732,231)
EQUITY SHAREHOLDERS' FUNDS		35,663	40,281

These 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 June 2002).


Director
24/4/04

POCKET WATCH SYSTEMS LIMITED

NOTES TO THE ACCOUNTS

for the year ended 31 December 2003

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company is exempt from the requirements to prepare a cash flow statement as it qualifies as a small company.

Since the year end the directors have decided to recommend to the members that the company be placed in members' voluntary liquidation. These accounts have therefore been prepared on a break-up basis with assets and liabilities being stated at their net realisable values.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost or valuation, less any residual value over their estimated useful life as follows:

Computers and software	2 years
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Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of Financial Reporting Standard for Smaller Entities (effective June 2002). Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Foreign currencies

Transactions in foreign currencies are recorded at the rates denominated in foreign currencies ruling at the date of the transaction. Monetary assets and liabilities are translated at a rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

2. OPERATING LOSS

This is stated after charging:	2003	2002
	£	£
Depreciation of owned fixed assets	7,117	8,057
Accountants' remuneration - audit services	3,600	-
- non-audit services	675	9,870
	<hr/>	<hr/>

3. DIRECTORS' EMOLUMENTS

	2003	2002
	£	£
Emoluments	41,825	79,789
	<hr/>	<hr/>

POCKET WATCH SYSTEMS LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 2003

4. TAXATION

Research and Development tax credits received during the year amounted to £23,052 (2002 £ nil)

5. TANGIBLE FIXED ASSETS

	<i>Computers & Software</i>	<i>Total</i>
	£	£
Cost:		
At 31 December 2002	7,986	7,986
Additions	6,480	6,480
	<hr/>	<hr/>
At 31 December 2003	14,466	14,466
	<hr/>	<hr/>
Depreciation:		
At 31 December 2002	6,849	6,849
Charge for the year	7,117	7,117
	<hr/>	<hr/>
At 31 December 2003	13,966	13,966
	<hr/>	<hr/>
Net book value:		
At 31 December 2003	500	500
	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2002	1,137	1,137
	<hr/> <hr/>	<hr/> <hr/>

6. DEBTORS

	2003	2002
	£	£
Trade debtors	185	
Prepayments	2,238	-
VAT	6,804	17
	<hr/>	<hr/>
	9,227	17
	<hr/> <hr/>	<hr/> <hr/>

7. CREDITORS

	2003	2002
	£	£
Trade creditors	2,982	2,938
Other taxes and social security costs	2,674	-
Accruals	11,525	2,200
	<hr/>	<hr/>
	17,181	5,138
	<hr/> <hr/>	<hr/> <hr/>

POCKET WATCH SYSTEMS LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31 December 2003

8. CALLED UP SHARE CAPITAL

	2003	2002	2003	Authorised 2002
	No.	No.	£	£
<i>Authorised:</i>				
Non Voting Deferred shares of £0.01 each	249,988	249,988	2,500	2,500
Ordinary shares of £0.01 each	10,012	10,012	100	100
	<u>260,000</u>	<u>260,000</u>	<u>2,600</u>	<u>2,600</u>
	<u><u>260,000</u></u>	<u><u>260,000</u></u>	<u><u>2,600</u></u>	<u><u>2,600</u></u>
	2003	2002	2003	Allotted, called up and fully paid 2002
	No.	No.	£	£
Allotted, called up and fully paid:				
Non Voting Deferred shares of £0.01 each	249,988	249,988	2,500	2,500
Ordinary shares of £0.01 each	5,431	3,688	54	37
	<u>255,419</u>	<u>253,676</u>	<u>2,554</u>	<u>2,537</u>

9. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit & loss</i>	<i>Total shareholders funds</i>
	£	£	£	£
At 31 December 2002	2,537	769,975	(732,231)	40,281
Loss for year	-	-	(210,060)	(210,060)
Arising on issue of shares	17	205,425	-	205,442
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	2,554	975,400	(942,291)	35,663

10. CONTINGENT LIABILITIES

At 31 December 2003, there were no contingent liabilities. (2002 - £ nil)

11. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors during the year (2002 - £ nil)

12. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year (2002 - £ nil)

13. CONTROLLING PARTY

There is no controlling party.