

INCAGOLD PLC
FINANCIAL STATEMENTS
31 DECEMBER 2004

INCAGOLD PLC**COMPANY INFORMATION**

Directors: R M Holmes
D C A Aurell
C B Korte
A P Beatty
P Hofschröder

Secretary: A P Beatty

Registered Office: Island Studios
Jurby Road
Lezayre
Isle of Man
IM7 2EB

Auditors: Noble & Co
Abacus House
Mona Street
Douglas
Isle of Man
IM1 3AE

Bankers: Lloyds TSB Bank (Isle of Man) Limited
Victory House
Prospect Hill
Douglas
Isle of Man
IM1 1EQ

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INCAGOLD PLC

REPORT OF THE DIRECTORS YEAR ENDED 31 DECEMBER 2004

The directors have pleasure in presenting their report and the audited financial statements for the year ended 31 December 2004, which show the state of the Company's affairs.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the development and sale of computer software. On 30 December 2004, the Company changed its name to Incagold plc from Incagold Limited.

RESULTS AND DIVIDEND

The results for the year are set out on page 6. The profit for the year was £27,434 (2003: loss £180) which has been carried to reserves. The directors do not recommend the payment of a dividend (2003: £Nil).

DIRECTORS

The directors who held office during the year and thereafter were as follows:-

	Appointed
R M Holmes	29.07.2003
D C A Aurell	29.07.2003
C B Korte	01.01.2005
A P Beatty	30.12.2004
P Hofschröder	30.12.2004

DIRECTORS' INTERESTS

The interests in the share capital of the Company of the directors holding office at 31 December 2004 were:-

	Ordinary Shares	
	31 December 2004	1 January 2004
R M Holmes	458,150	-
D C A Aurell	163,630	-
A P Beatty	9,500	-
P Hofschröder	15,000	-

Mr Holmes' shareholding is held by Ataraxia Investments Limited, a company he owns 100%.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. 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;
- state whether applicable 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 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 Acts 1931 to 2004. 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.

INCAGOLD PLC**REPORT OF THE DIRECTORS - continued
YEAR ENDED 31 DECEMBER 2004****AUDITORS**

The Auditors, Noble & Co, Chartered Accountants, were appointed on 15 March 2005 and continue in office under the provisions of Section 12 (2) of the Companies Act 1982.

By order of the Board

_____ Secretary
A P Beatty

Date

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INCAGOLD PLC

We have audited the financial statements of Incagold plc for the year ended 31 December 2004 which comprise the Profit and Loss Account on page 6, the Balance Sheet on page 7 and the related notes on pages 8 to 12. These financial statements have been prepared 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 15 of the Companies Act 1982. 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on page 3, 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 Acts. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

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

BASIS OF 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 in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Acts 1931 to 2004.

Chartered Accountants
Abacus House
Mona Street
Douglas
Isle of Man
IM1 3AE

Date

INCAGOLD PLC

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004**

	NOTES	2004 £	Period from 29.07.2003 to 31.12.2003 £
TURNOVER	2	88,204	-
Cost of sales		(5,206)	-
GROSS PROFIT		82,998	-
Administration expenses		(75,368)	(180)
OPERATING PROFIT/(LOSS)	3	7,630	(180)
Exceptional item		20,000	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		27,630	(180)
Interest payable and similar charges	4	(83)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		27,547	(180)
Tax on profit on ordinary activities	5	(113)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		27,434	(180)

All items in the above profit and loss account
relate to continuing operations and all
gains and losses are recognised therein

The notes on pages 8 to 12 form an integral
part of these financial statements

INCAGOLD PLC

BALANCE SHEET
AS AT 31 DECEMBER 2004

	NOTES	£	2004	£	£	2003	£
FIXED ASSETS							
Tangible assets	6		18,988				-
Intangible assets	7		20,000				-
Investments	8		9,090				-
			<u>48,078</u>				<u>-</u>
CURRENT ASSETS							
Debtors	9	65,688			-		
Cash at bank and in hand		2,999			-		
		<u>68,687</u>			<u>-</u>		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	<u>(37,010)</u>			<u>(179)</u>		
NET CURRENT ASSETS/(LIABILITIES)			31,677				(179)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>79,755</u>				<u>(179)</u>
CAPITAL AND RESERVES							
Called up share capital	11		526				1
Profit and loss account	13		27,254				(180)
Share premium account	12		51,975				-
	14		<u>79,755</u>				<u>(179)</u>

The notes on pages 8 to 12 form an integral part of these financial statements

R M Holmes Director

D C A Aurell Director

_____ Date approved by the Board

INCAGOLD PLC**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004****1 ACCOUNTING POLICIES**

The Company has adopted the following accounting policies which should be read in conjunction with the financial statements which have been prepared under the historical cost convention and in accordance with financial reporting standards.

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

office equipment and associated software – 33 1/3% straight line basis

No depreciation is provided for on computer software developed by the Company itself as, after having carried out an impairment review, the directors are of the opinion that its realisable value is in excess of its cost.

Intangible Fixed Assets

An annual impairment review is carried out by the directors to determine if the current realisable value of intangible fixed assets is greater than their cost. Amortisation is charged if the current realisable value is determined to be less than cost.

Consolidation

The value of the Company's investment in Incagold GmbH is the par value of Incagold GmbH's shares. Consolidated accounts incorporating the results and assets and liabilities of the subsidiary company, Incagold GmbH, have not been prepared since, in the opinion of the directors, this would cause expense and delay out of proportion to the value of the members.

This is not in accordance with Financial Reporting Standard No. 2 – Accounting for Subsidiary Undertakings.

2 TURNOVER

Turnover for the year represents the net amount invoiced to customers, excluding value added tax.

3 OPERATING PROFIT/(LOSS)

	2004 £	2003 £
Operating profit/(loss) is stated after charging:		
Depreciation of tangible assets	338	-
Directors' remuneration	18,086	-
Auditors' remuneration	3,900	-
	=====	=====

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
On bank accounts and overdrafts	83	-
	=====	=====

INCAGOLD PLC

NOTES TO THE FINANCIAL STATEMENTS – continued
YEAR ENDED 31 DECEMBER 2004

5 TAXATION

Isle of Man taxation has been provided on taxable profits at 10% after capital allowances.

6 TANGIBLE FIXED ASSETS

	Office Equipment £	Computer Software £	Total £
COST			
At 1 January 2004	-	-	-
Additions	1,007	18,319	19,326
Disposals	-	-	-
	<u>1,007</u>	<u>18,319</u>	<u>19,326</u>
At 31 December 2004	<u>1,007</u>	<u>18,319</u>	<u>19,326</u>
DEPRECIATION			
At 1 January 2004	-	-	-
Charge for the year	338	-	338
Eliminated upon disposal	-	-	-
	<u>338</u>	<u>-</u>	<u>338</u>
At 31 December 2004	<u>338</u>	<u>-</u>	<u>338</u>
NET BOOK VALUE			
AT 31 DECEMBER 2004	<u>669</u>	<u>18,319</u>	<u>18,988</u>
NET BOOK VALUE			
AT 31 DECEMBER 2003	<u>-</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS – continued
YEAR ENDED 31 DECEMBER 2004

7 INTANGIBLE FIXED ASSETS

	Computer Games Portfolio £	Total £
COST		
At 1 January 2004	-	-
Additions	20,000	20,000
Disposals	-	-
	<u>20,000</u>	<u>20,000</u>
At 31 December 2004	<u>20,000</u>	<u>20,000</u>
AMORTISATION		
At 1 January 2004	-	-
Charge for the year	-	-
Eliminated on disposal	-	-
	<u>-</u>	<u>-</u>
At 31 December 2004	<u>-</u>	<u>-</u>
NET BOOK VALUE AT 31 DECEMBER 2004	<u>20,000</u>	<u>20,000</u>
NET BOOK VALUE AT 31 DECEMBER 2003	<u>-</u>	<u>-</u>

In the opinion of the directors, title in the portfolio of computer games owned by the Company has a value of at least £20,000. This value has been entered by means of an extraordinary item. No amortisation has been charged as, after having carried out an impairment review, in the opinion of the directors the current realisable value of intangible assets is greater than their value shown in these financial statements.

8 INVESTMENTS

Investments comprise the whole of the issued share capital of Incagold GmbH, a company incorporated in Switzerland.

9 DEBTORS

	2004 £	2003 £
Trade debtors	6,353	-
Other debtors	59,335	-
	<u>65,688</u>	<u>-</u>

Included within debtors is an amount due from Incagold GmbH of £59,000. This amount is unsecured, interest free and has no set date for repayment.

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NOTES TO THE FINANCIAL STATEMENTS – continued
YEAR ENDED 31 DECEMBER 2004**10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004 £	2003 £
Trade creditors	6,172	-
Income tax	113	-
Other taxes and social security costs	(3,165)	-
Other creditors	29,990	179
Accruals and deferred income	3,900	-
	<u>37,010</u>	<u>179</u>
	=====	=====

Included within other creditors are amounts due to R M Holmes of £31,190 (2003: £179) and from A Hinchcliffe of £1,735 (2003: £Nil). These amounts are both unsecured, interest free and have no set date for repayment.

11 SHARE CAPITAL

	2004 £	2003 £
Authorised: 2,000 ordinary shares of £1 each	-	2,000
	=====	=====
Authorised 2,000,000 ordinary shares of £0.00075 each	1,500	-
	=====	=====

During the year, the authorised share capital of the Company was reduced and changed so that it became £1,500, comprising 2,000,000 ordinary shares of £0.00075.

Allotted, called up and fully paid:
1 ordinary share of £1 each

-	1
=====	=====

Allotted, called up and fully paid:
701,332 ordinary shares of £0.00075 each

526	-
=====	=====

699,999 ordinary shares of £0.00075 each were issued at a price of £0.075 each on 30 December 2004.

12 SHARE PREMIUM

699,999 ordinary shares of £0.00075 each were issued on 30 December 2004 at a price of £0.075 each, which was equal to a premium of £0.07425 per share. This created a total share premium of £51,975.

13 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
Balance at 1 January 2004	(180)	-
Retained profit/(loss) for the year	27,434	(180)
	<u>27,254</u>	<u>(180)</u>
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS – continued
YEAR ENDED 31 DECEMBER 2004

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Opening shareholders' funds	(179)	-
Profit/(loss) for the financial year	27,434	(180)
Shares issued	525	1
Premium on shares issued	51,975	-
	<u>79,755</u>	<u>(179)</u>
Closing shareholders' funds	<u>79,755</u>	<u>(179)</u>

15 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Company is Mr R M Holmes who holds 458,150 (65.45%) of the Company's issued share capital. This investment is held by Ataraxia Investments Limited, a company wholly owned by Mr Holmes, which is deemed to be the Company's controlling party.

The Company operates a loan account with Mr R M Holmes (see note 10). Included within other creditors is an amount of £34 due to Mr P Hofschröer in respect of commission due to him. Directors' fees of £3,500 and £14,586 (including employers national insurance contributions) respectively were paid to Mr R M Holmes and Mr D C A Aurell during the year. Professional fees of £11,000 and £900 were paid to Mr R M Holmes and Mr A P Beatty during the year. Included within consultancy fees of £6,120 is an amount of £4,000 paid to Homuzu Consulting Limited, a company owned by Mr R M Holmes.

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DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	2004		Period from 29.07.2003 to 31.12.2003	
	£	£	£	£
Turnover		88,204		-
Cost of sales		(5,206)		-
GROSS PROFIT		<u>82,998</u>		<u>-</u>
ADMINISTRATION EXPENSES				
Travel and subsistence	5,426		-	
Directors fees and costs	18,086		-	
Payroll and associated costs	23,871		-	
Consultancy fees	6,120		-	
Office expenses	1,795		-	
Heat, light and power	110		-	
Professional fees	11,900		-	
Telephone	2,381		-	
Postage and freight	1,455		-	
Printing and stationery	214		-	
Sundry expenses	43		180	
Depreciation	338		-	
Audit fees	3,900		-	
Foreign exchange (gain)	(271)		-	
		<u>(75,368)</u>		<u>(180)</u>
		7,630		(180)
Exceptional item		20,000		-
Bank interest and charges		(83)		-
PROFIT/(LOSS) BEFORE TAXATION		<u><u>27,547</u></u>		<u><u>(180)</u></u>