WARP TECHNOLOGY HOLDINGS INC
Form 10KSB
October 13, 2004

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934,

For The Fiscal Year Ended June 30, 2004

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For The Transition Period From ___________ To __________

Commission File Number: 000-33197

WARP TECHNOLOGY HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

NEVADA	88-0467845
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
151 Railroad Avenue, Greenwich, Connecticut	06830
(Address of principal executive offices)	(Zip Code)

(203) 422-2950
(Registrants telephone number, including area code)

(Former Name, if Changed Since Last Report)

708 Third Avenue, 6TH FLOOR, NEW YORK, N.Y. 10017
(Former Address, if Changed Since Last Report)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Common Stock, Par Value $0.00001 Per Share
(Title of Class)

Indicate by checkmark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ]

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Registrant's revenues for its most recent fiscal year ended June 30, 2004 were $882,121.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of September 17, 2004 was $5,826,219 based on the closing bid price of $0.06 per share as reported on the Over-the-Counter Bulletin Board ("OTC Bulletin Board") operated by the National Association of Securities Dealers, Inc.

The number of shares outstanding of the registrant's common stock, $0.00001 par value, as of September 17, 2004 was 97,111,483.

DOCUMENTS INCORPORATED BY REFERENCE

None.

PART I

ITEM 1. BUSINESS.

Forward-Looking Information

Certain statements in this Form 10-KSB and elsewhere (such as in other filings by the Company with the Securities and Exchange Commission (the "Commission"), press releases, presentations by the Company or its management and oral statements) may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those relating to future opportunities, the outlook of customers, the reception of new products and technologies, and the success of new initiatives. In addition, such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results expressed or implied by such forward-looking statements. Such factors include: (i) demand for the Company's products; (ii) the actions of current and potential new competitors; (iii) changes in technology; (iv) the nature and amount of the Company's revenues and expenses; and (v) overall economic conditions and other risks detailed from time to time in the Company's periodic earnings releases and reports filed with the Commission, as well as the risks and uncertainties discussed in this Form 10-KSB.

Historical Background

WARP Technology Holdings, Inc. (the "Company") was incorporated in the State of Nevada on June 26, 2000 under the name Abbott Mines, Ltd. to engage in the acquisition and exploration of mining properties. The Company obtained an interest in one mining property with mining claims on land located near Vancouver in British Columbia, Canada (the "Montana Property"). To finance its exploration activities, the Company completed a public offering of its common stock, par value $.00001 per share, on March 14, 2001 and listed its common stock on the OTC Bulletin Board on July 3, 2001. The Company conducted its exploration program on the Montana Property and the results did not warrant further mining activity. The Company then attempted to locate other properties for exploration but was unable to do so.

The Acquisition of WARP Solutions, Inc.

On May 24, 2002, the Company and WARP Solutions, Inc. ("WARP" or "WARP Solutions") closed a share exchange transaction (the "Share Exchange") pursuant to a Share Exchange Agreement (the "Exchange Agreement") dated as of May 16, 2002, by and among the Company, Carlo Civelli, Mike Muzylowski, WARP, Karl Douglas, John Gnip and related Sellers. Following the closing of the Share Exchange, WARP became a subsidiary of the Company and the operations of WARP became the sole operations of the Company.

Subsequent to the closing of the Share Exchange, the Company ceased all mineral exploration activities and the sole operations of the Company were the operations of its subsidiary, WARP Solutions.

The Upstream Merger and Name Change

On August 19, 2002, the Board of Directors of the Company authorized and approved the upstream merger of WARP Technology Holdings, Inc., a wholly owned subsidiary of the Company which had no operations, with and into the Company pursuant to Chapter 92A of the Nevada Revised Statutes (the "Upstream Merger"). The Upstream Merger became effective on August 21, 2002, when the Company filed Articles of Merger with the Nevada Secretary of State. In connection with the Upstream Merger, and as authorized by Section 92A.180 of the Nevada Revised Statutes, the Company changed its name from Abbott Mines Limited to WARP Technology Holdings, Inc. As a result of the name change, the Company's common stock now trades on the OTC Bulletin Board under the trading symbol "WRPT".

The Acquisition of Spider Software, Inc.

On January 10, 2003, the Company, through its wholly-owned subsidiary 6043577 Canada Inc., acquired one hundred percent (100%)of the issued and outstanding capital stock of Spider Software, Inc. ("Spider"), a privately held Canadian corporation, through a share exchange transaction pursuant to a Share Exchange Agreement (the "Spider Exchange Agreement") dated as of December 13, 2002. Pursuant to the Spider Exchange Agreement the Spider shareholders were issued 1,500,000 shares of the preferred stock of 6043577 Canada Inc., which in turn is convertible into shares of the Company's common stock on a 1 for 1 basis, and the Company forgave outstanding Spider promissory notes of approximately $262,000, all in exchange for one hundred percent (100%) of the issued and outstanding capital stock of Spider.

In accordance with the terms and conditions of the Shares Exchange Agreement, the Company caused 6043577 Canada Inc. to issue .197707 shares of the preferred stock of 6043577 Canada Inc. for each one (1) share of Spider common stock acquired. The Company owns 100% of the voting common stock of 6043577 Canada Inc. The preferred stock of 6043577 Canada Inc. has no voting rights or other preferences but is convertible on a 1 for 1 basis into the common stock of the Company. As a result, following the closing, Spider became a wholly-owned subsidiary of 6043577 Canada Inc. and thereby a wholly-owned subsidiary of the Company.

Subsequent to the acquisition the Company main product line is based on the Spider technology.

Business of the Company

The Company is an information technology company that produces a series of application acceleration products that improve the speed and efficiency of transactions and information requests that are processed over Internet and Intranet network systems. The Company's GTEN suite of software products and technologies is designed to accelerate network applications, reduce network congestion, and reduce the cost of expensive server deployments for enterprises engaged in high volume network activities. The goal of the Company is to become the de facto standard in the application acceleration marketplace.

Products and Services

The Company's software platform consists of SpiderSoftware, a pure dynamic caching solution, and iMimic's DataReactor, a pure static caching solution. Together, these products enable an enterprise to: (i) minimize complex transaction-processing bottlenecks; (ii) increase response times; (iii) lower hardware costs; and (iv) lower wide area network costs.

SpiderSoftware Solution

The SpiderSoftware product is a software solution designed to enable caching of pure dynamic content at the web server layer. This product is installed on the web server of an enterprise to allow network administrators to select certain sections of its content to remain dynamic, a feature known as partial page caching. The SpiderSoftware product retails for $5,000 to $10,000 per server license depending upon the functionality desired by a client.

Based upon the rule of 80/20 - that 80% of requested dynamic content is the same, and 20% is unique - a typical web server is in fact processing the same data over and over again. SpiderSoftware leverages this repetition by storing requested page instances in a dynamic cache that sits within the site's web server. The server does not need to compile and execute scripts when content is served out of the cache, thereby reducing the load on database and application servers.

The benefits of the SpiderSoftware solution are increased speed, performance, scalability, availability and efficiency of a network infrastructure's informational and transactional data flow. The primary advantages of the SpiderSoftware solution include highly granular cache control, support for both static and dynamic page caching, partial page caching, database trigger support for dynamic cache management, clustering support, cross platform web administration tool, real-time cache efficiency performance monitoring, automatic image optimization, and support for multiple operating systems including Windows NT, Linux, Solaris, and Unix.

iMimic's DataReactor Solution

The iMimic DataReactor product is a software solution designed to enable caching of purely static content at the web server layer. This product is installed on the web server of an enterprise with an API (application program interface) that allows the caching layer to be controlled from the application. The Company currently offers this solution through a strategic partnership with iMimic Networking, Inc. ("iMimic"). The DataReactor product retails for $5,000 per server license and has a current installed base of over 2,000 server licenses worldwide. The DataReactor solution has been distributed on an OEM basis through companies such as: Stratacache, Storigen, Microbits, Cintel, and Pyramid.

The DataReactor solution enables a cache administrator to quickly and easily configure multiple caches with similar parameters. Examples of applications provided by the DataReactor's static caching platform include: (i) rewriting requests to pick geographically closer servers; (ii) compression; (iii) trans-coding images to improve transmission over low-bandwidth links; and (iv) performing ad insertion or replacement.

The benefits of the DataReactor solution include high throughput, high hit ratio on requests over the network, and low response times. This ideal combination of performance metrics translates into reduced cost of ownership for enterprises. The DataReactor installation should provide a substantial return on investment (ROI) by enabling the Company's clients to reduce the number of cache cluster units deployed while still maintaining a significant bandwidth savings. The end result of an iMimic deployment is higher flexibility, scalability, and portability for any network.

Sales and Marketing

The Company sells its products primarily to large enterprises that have a need for significant web-based infrastructures. The Company believes that the most logical users of its technology are on-line retailers, on-line travel agents/sites, on-line auction sites, and providers of real time information such as news and media sites and larger enterprises with a need to push information to a worldwide sales force or customer base. The Company also targets large enterprises that run corporate applications such as supply chain, customer relationship management, and inventory management over the web.

The Company's sales and marketing strategy is generally four-fold: (i) leverage customer references and case studies to win new contracts; (ii) use references and endorsements from recognized industry sources to market its application acceleration products; (iii) engage in targeted telephone and email campaigns to solicit effective reseller and strategic relationships; and (iv) leverage established customer relationships to up-sell its other suite of products.

Sales

The Company anticipates that wholesale channels such as systems integrators, managed service providers, and value added resellers (VARs) will be the main distribution vehicles for the Company's GTEN suite of application acceleration products. The Company has established channel relationships in Europe and Asia for distribution of its products and has entered into reseller agreements with Macnica Networks, Estafet, Morse, EMG, and Computer Centre. Macnica Networks is a leading technology distributor for the Japanese market. Additionally, the Company has established reseller agreements with Cable and Wireless Europe and NTT Verio for its European target customer base. The Company believes that it will need to establish relationships with fifteen to twenty channel resellers in order to properly distribute the, SpiderSoftware, DataReactor, and other future products.

Marketing

The Company will continue to educate the marketplace by informing the various channel partners about its unique value propositions of increased performance at the origin server level and the wide area network level. The strategy of the Company is to position itself as the de facto standard for application acceleration, and market at industry, channel, and end user levels.

Customers

The Company views its potential customer base as the larger on-line enterprises as well as the larger enterprises that have a significant web-based infrastructure. In the fiscal year ending June 30, 2004, the Company sold units directly to end users as well as through channel resellers.

The Growth Strategy

The Company intends to position itself as the de facto standard in application acceleration. It plans to grow by: (i) leveraging the underlying growth of the application server market and (ii) providing its GTEN suite of products to organizations facing dramatic expansion of web applications over congested networks. In order to capitalize on this significant market opportunity, the Company intends to execute on three critical success factors:

Promote Significant Channel Growth

The Company is leveraging a network of commission-based manufacturer representatives to promote the recruitment of channel partners. The European operations have recruited five channel partners to date. The Company recognizes that significant revenue growth is predicated upon development of significant channels. Where practical, products such as iMimic will also be sold through two tier distributors like Ingram Micro and TechData, which are supported by their own marketing programs.

The Company will attempt to develop OEM (Original Equipment Manufacturer) relationships with large server manufacturers like Sun, HP, IBM and Dell. Typically these relationships arise out of a customer request. To date, the Company has been involved in customer promoted relationships with both HP and IBM. The Company will attempt to further these relationships into full OEM partnerships.

Develop Strategic Alliances with Synergistic Partners

The Company plans to develop strategic relationships with firms that can promote the use of its GTEN suite of application acceleration products. In many cases, ideal partners are firms that are in the business of performance measurement and tuning.

Competition

There is significant competition among static and dynamic content acceleration technology producers and service providers. IBM Corp., Oracle Corp. and BEA Systems have each added functions to their application server products, which increase the efficiency, on a limited basis, of static and dynamic content delivery. Static caching vendors such as Volera (a unit of Novell), and Network Appliances have developed frequent "time-to-live" ("TTL") cache refresh based architectural approaches to dynamic content acceleration. Service vendors such as Akamai Technologies have developed approaches to dynamic content acceleration, which it offers to customers on an outsourcing basis. Chutney Technologies, Zend, and other development stage companies, are also developing technologies for dynamic content acceleration.

The Company has four main categories of competitors in the market for dynamic content acceleration technology: (i) hardware providers; (ii) software providers; (iii) service providers; and (iv) static caching hardware and software providers.

Hardware Providers. Generally, hardware providers build a separate self-contained appliance, which houses the content acceleration technology. This appliance is built for a customer and is then added to the network infrastructure of that customer. The strengths of this approach to content acceleration are the ease of implementation, the resulting high performance improvement, and the relative ease of distribution through channel sales.

Therefore, the hardware approach offers the ease of implementation of an appliance, but also offers advanced invalidation capabilities such as XML messaging and database triggers, which developers may leverage. The weaknesses

of the hardware approach are that it is generally not able to cache as much detailed content (i.e. granularity) as a database and it is not currently capable of partial page (i.e. object level) caching.

Service Providers. Generally, service providers offer customers the option of outsourcing their access to content acceleration technology. The strengths of this approach are that it allows the customer to quickly leverage the wide network of infrastructure owned by the service provider and it provides a high level of granularity down to the object layers. The weaknesses of this approach are that it requires complex and risky modifications to the customer's application server layer, it requires that the customer become "captive" to the service provider's network, and it may only provide modest performance improvement.

The Company believes that it has an advantage over service providers because of its products flexibility, ease of implementation, and the ability of its users to maintain control over their networks. Akamai Technologies and ESI Systems are both large competitors who provide a service-based solution to dynamic content acceleration.

Network Appliances, Volera, Cisco Systems, Inktomi Corp., and Squid-Freeware all offer modified static caching hardware and software as solutions for dynamic caching and content acceleration.

Research And Development

During the fiscal year 2004, the Company spent approximately $812,000 on research and the development of its products. The pricing of the Company's products reflects, among other things, the cost of their development as well as the cost of the component parts and applicable license fees.

Patents and Trademarks

The Company regards the protection of its intellectual property rights to be an integral part of its success. The Company relies on a combination of patent, trademark, copyright, service mark, and trade secret restrictions and contractual provisions to protect its intellectual property rights.

The Company currently has one U.S. patent directed to its load balancing system and method and one allowed US patent application directed to its dynamic content routing system and method. In addition the Company has six additional US patent applications and two pending international PCT applications relating other aspect of its technology. The Company claims trademark rights in the mark WARP SOLUTIONS(TM) and PARTNERWARE(TM). The mark WARP SOLUTIONS(TM) is registered in Argentina, Australia, Switzerland, Chile, China, Israel and Mexico, and the Company has applied for registrations of the WARP SOLUTIONS(TM) name in the United States, Brazil, Canada, European Community, Japan, Malaysia, Philippine, and Ukraine. It has also applied for registrations of the PARTNERWARE(TM) name in Brazil.

Employees

The Company currently has 12 full time employees including the following four executive officers: Rodney A. Bienvenu, Jr., its Chairman and Chief Executive Officer; Gus Bottazzi, its President, Principal Financial Officer, and Director; Ernest C. Mysogland, its Executive Vice President, Chief Legal

Officer, and Secretary; and Michael D. Liss, its Chief Operating Officer. The Company has written employment contracts with these four employees.

Risk Factors

In addition to other information in this Annual Report on Form 10-KSB (including all exhibits hereto), the following risk factors should be carefully considered in evaluating the Company and its business, as such factors currently have a significant impact, or may have significant impact in the future, on the Company's business, results of operations, financial condition and the value of its outstanding securities.

We Have a Limited Operating History.

The Company has a limited operating history. Such limited operating history makes it more difficult to predict whether or not we will be successful in the future. Our future financial and operational success is subject to the risks, uncertainties, expenses, delays and difficulties associated with managing a new business, many of which may be beyond our control. In addition, the Company competes in a relatively new market known as the information technology market. Because this market is new and rapidly evolving, companies competing in it may face many uncertainties. Our success will depend on many factors, including those described in this Risk Factors section.

We Have a History of Losses and May Need Additional Financing.

We have experienced operating losses, as well as net losses, for each of the years during which we have operated. We anticipate future losses and negative cash flow to continue for the foreseeable future.

The Company has incurred recurring operating losses since its inception, and as of June 30, 2004 had an accumulated deficit of approximately $39,697,000 and at June 30, 2004 had insufficient capital to fund all of its obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effect of the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

The Company's continuation as a going concern is dependant upon receiving additional financing. The Company entered into a Series B-2 Preferred Stock Purchase Agreement (the "Purchase Agreement"), as of August 4, 2004. The Purchase Agreement related to the sale of 1,600 shares (the "Series B-2 Preferred Shares") of the Company's authorized but unissued shares of Preferred Stock, $0.00001 par value per share, designated Series B-2 Preferred Stock (the "Series B-2 Preferred Stock") at a purchase price of $1,000 per share, and warrants, exercisable over five (5) years, to purchase an aggregate of 1,600 shares of Series B-2 Preferred Stock at an exercise price of $1,000 per share (the "Warrants" and together with the shares of Series B-2 Preferred Stock, collectively, the "Securities") to the Investors. The aggregate purchase price for the Securities under the Purchase Agreement is $1,600,000, of which $500,000 was received by the Company in an initial closing (which occurred on August 4,2004)and the remaining $1,100,000 of the aggregate purchase price to be received in a final closing no later that October 31, 2004.

In addition to the funds raised in connection with the sale of Series B-2 Preferred Stock, the Company anticipates that during its 2005 fiscal year it will need to raise an additional $1,500,000 or more to support its working capital needs and to continue to execute the requirements of its business plan.

Furthermore, the Company intends to pursue opportunities to acquire other businesses, and may need to raise capital in order to pursue such acquisitions.

There can be no assurance that the Company will be successful in its efforts to raise sufficient capital. Therefore, there can be no assurance that the Company will have sufficient capital to support its working capital needs through its 2005 fiscal year.

To date, we have received only limited revenue from the sale of our products. We have incurred significant costs in connection with the development of our technologies and proposed products and there is no assurance that they will achieve sufficient revenues to offset anticipated operating costs. Although we anticipate deriving revenues from the sale of SpiderSoftware and iMimic DataReactor products, no assurance can be given that these products will be successfully marketed. Management anticipates that we may continue to incur losses for at least the next twelve months. Included in such former and future losses are research and development expenses, marketing costs, and general and administrative expenses. We anticipate that our losses will continue until we are able to generate sufficient revenues to support our operations. If we achieve profitability, we cannot give any assurance that we would be able to sustain or increase profitability on a quarterly or annual basis in the future.

Similarly, in the future, we may not generate sufficient revenue from operations to pay our operating expenses. If we fail to generate sufficient cash from operations to pay these expenses, our management will need to identify other sources of funds. We may not be able to borrow money or issue more shares of common stock to meet our cash needs. Even if we can complete such transactions, they may not be on terms that are favorable or reasonable from our perspective. As a result, you may lose your entire investment.

We May Not Be Able to Borrow Funds

There currently are no legal limitations on our ability to borrow funds to increase the amount of capital available to us to carry out our business plan. However, our limited resources and limited operating history will make it difficult to borrow funds. The amount and nature of any such borrowings would depend on numerous considerations, including our capital requirements, our perceived ability to meet debt service on any such borrowings and the then prevailing conditions in the financial markets, as well as general economic conditions. There can be no assurance that debt financing, if required or sought, would be available on terms deemed to be commercially acceptable by us and in our best interest.

Rapidly Changing Markets

The markets for our products are characterized by:

- rapidly changing technologies;
- evolving and competing industry standards;
- changing customer needs;
- frequent new product introductions and enhancements;
- increased integration with other functions; and
- rapid product obsolescence.

To develop new products for our target markets, we must develop, gain access to and use leading technologies in a cost-effective and timely manner and continue to expand our technical and design expertise. In addition, we must maintain close working relationships with key customers and potential customers in order to develop new products that meet their changing needs.

Rapidly Changing Technology

The Company may not be able to identify new product opportunities successfully, develop and bring to market new products, achieve design wins or respond effectively to new technological changes or product announcements by its competitors. In addition, we may not be successful in developing or using new technologies or in developing new products or product enhancements that achieve market acceptance. Our pursuit of necessary technological advances may require substantial time and expense. Failure in any of these areas could harm our operating results.

Our Ability to Compete Successfully Will Depend, In Part, On Our Ability to Protect Our Intellectual Property Rights

The Company relies on a combination of patent, trade secrets, copyrights, nondisclosure agreements and other contractual provisions and technical measures to protect its intellectual property rights. Policing unauthorized use of our products, however, is difficult, especially in foreign countries. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Litigation could result in substantial costs and diversion of resources and could harm our business, operating results and financial condition regardless of the outcome of the litigation. In addition, there can be no assurance that the courts will enforce the contractual arrangements which the Company has entered into to protect its intellectual property rights. Our operating results could be harmed by any failure to protect our intellectual property rights.

Competition

The Company is engaged in business in the highly competitive information technology industry and we expect significant competition for our dynamic and static content acceleration technologies. See "ITEM 1. BUSINESS - Business of the Company - Competition" above. Many of our competitors, including some of those identified above, have been in business for a number of years, have established customer bases, are larger, and have greater financial resources than the Company. There can be no assurance as to the degree to which we will be able to successfully compete in our industry.

Development of Products

The Company is currently developing new products, as well as new applications of its existing products. There can be no assurance that we will not experience difficulties that could delay or prevent the successful development, introduction or marketing of our products, or that our new or enhanced products will adequately meet the requirements of our current or prospective customers. Any failure by the Company to successfully design, develop, test and introduce such new products, or the failure of the Company's recently introduced products to achieve market acceptance, could prevent us from maintaining existing customer relationships, gaining new customers or expanding our markets and could have a material adverse effect on our business, financial condition and results of operations.

Dependence Upon a Small Number of Customers

Because a small number of customer accounts are responsible for our revenues, such revenues could decline due to the loss of one of these customer accounts. An early termination by one of our customers, or the failure of a potential customer to purchase our products, could harm our financial results as it is unlikely that we would be able to rapidly replace that revenue source.

We are Dependent On Key Personnel

Our future success depends in part on the continued service of our key design engineering, sales, marketing and executive personnel and our ability to identify, recruit and retain additional personnel. At the date of this Form 10KSB, there were four employment agreements between the Company and its executive officers (copies of which are included as exhibits hereto).

Managing Growth and Expansion.

The Company is currently anticipating a period of growth as a result of its recent marketing and sales efforts. The resulting strain on our managerial, operational, financial and other resources could be significant. Success in managing this expansion and growth will depend, in part, upon the ability of senior management to manage effectively. Any failure to manage the anticipated growth and expansion could have a material adverse effect on our business.

We Expect to Pay No Cash Dividends

We presently do not expect to pay cash dividends in the foreseeable future. The payment of cash dividends, if any, will be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any cash dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings, if any, to implement our business plan, accordingly, we do not anticipate the declaration of any cash dividends in the foreseeable future.

Indemnification of Officers and Directors

Our Articles of Incorporation provide for the indemnification of our officers and directors to the fullest extent permitted by the laws of the State of Nevada and the federal securities laws. It is possible that the indemnification obligations imposed under these provisions could result in a charge against our earnings and thereby affect the availability of funds for other uses.

Our Common Stock Is Subject To "Penny Stock" Restrictions Under Federal Securities Laws, Which Could Reduce The Liquidity Of Our Common Stock

The Securities and Exchange Commission has adopted regulations, which generally define penny stocks to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. On September 17, 2004, the closing price for our common stock, as quoted on the Over the Counter Bulletin Board, was $0.06 per share and therefore, our common stock is designated a "Penny Stock." As a penny stock, our common stock may become subject to Rule 15g-9 under the Exchange Act or the Penny Stock Rules. These rules include, but are not limited to, Rules 3a5l-l, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6 and 15g-7 under the Securities Exchange Act of 1934, as amended. These rules impose additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market.

The rules may further affect the ability of owners of our shares to sell their securities in any market that may develop for them. There may be a limited market for penny stocks, due to the regulatory burdens on broker-dealers. The market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in a penny stock, of a disclosure schedule prepared by the Securities and Exchange Commission relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are

required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

The penny stock restrictions will no longer apply to our common stock if we become listed on a national exchange. In any event, even if our common stock were exempt from the penny stock restrictions, we would remain subject to Section 15(b)(6) of the Exchange Act, which gives the Securities and Exchange Commission the authority to restrict any person from participating in a distribution of penny stock, if the Securities and Exchange Commission finds that such a restriction would be in the public interest.

ITEM 2. PROPERTIES.

The principal executive offices of the Company are located at 151 Railroad, Avenue, Greenwich, Connecticut 06830. The Company has a month-to-month lease on its current office space at a cost of $2,850 per month. The property has a general purpose use for sales and administration, and will be sufficient for our needs for the foreseeable future.

The Company maintains an executive office at 204-1529 West 6th Avenue, Vancouver, British Columbia, Canada V6JLRL and has a month-to-month lease on the space at a cost of approximately $2,500 per month. The property has a general purpose use for sales, research and development, and administration related to the Company's SpiderSoftware product and will be sufficient for such needs for the foreseeable future.

The Company is currently in the process of moving out of its New York office space at 708 3rd Avenue 6th floor, New York, NY 10017. The lease expires in January 2005, The monthly expense is $6,900.

ITEM 3. LEGAL PROCEEDINGS.

Two former consultants to the Company who provided services to the

Company's U.K. subsidiary, Warp Solutions, Ltd., have made claims against the Company under U.K. law, contending that they were employees under such laws, were unfairly dismissed, and, therefore, entitled to certain benefits and rights. The total claim is estimated to be approximately $180,000. The Company has received a preliminary judgment from a U.K. Employment Tribunal determining that two former consultants were employees within the (U.K.) Employment Rights Act. The Company has appealed from this determination and intends to contest it vigorously. The Company has accrued $50,000 relating to this claim.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock, par value $.00001 per share, is traded on the OTC Bulletin Board operated by the National Association of Securities Dealers, Inc. under the symbol "WRPT".

The following table sets forth the range of high and low closing bid prices for the Company's common stock for the periods indicated as reported by the National Quotation Bureau, Inc. These prices represent quotations between dealers, do not include retail markups, markdowns or commissions, and do not necessarily represent actual transactions.

		Bid Price	
Fiscal Year	Quarter Ended	Low	High
2002	September 30, 2001	$ .01	$ .01
	December 31, 2001	.07	.11
	March 31, 2002	.05	.30
	June 30, 2002	$ .30	$ .98
2003	September 30, 2002	.88	1.38
	December 31, 2002	1.38	3.80
	March 31, 2003	1.30	3.93
	June 30, 2003	.31	1.52
2004	September 30, 2003	$ .15	$ .34
	December 31, 2003	.17	.29
	March 31, 2004	.17	.30
	June 30, 2004	$ .06	$ .17
2005	September 30, 2004	.06	.06
	December 31, 2004 (As of [October 5, 2004])	.056	.06

As of October 5, 2004, the National Quotation Bureau, Inc. reported that the closing bid and ask prices on the Company's common stock were $0.056 and $0.06 respectively.

Holders

As of June 30, 2004, the Company's financial statements show 97,111,483 shares of common stock outstanding. This number of shares outstanding assumes that all shares of WARP Solutions, Inc. common stock were converted to shares of the Company's common stock. However, as of September 17, 2004, a nominal number of shares of WARP Solutions, Inc. common stock had not been presented to the Company for conversion.

At September 17, 2004, there were approximately 169 common stockholders of record, including shares held by brokerage clearing houses, depositories or otherwise in unregistered form. The beneficial owners of such shares are not known to us.

Dividends

We have not declared any cash dividends, nor do we intend to do so. We are not subject to any legal restrictions respecting the payment of dividends, except as provided under the rights and preferences of the Company's Series B 10% Cumulative Convertible Preferred Stock (the "Series B Stock") and the rights and preferences of the Company's Series B-2 Preferred Stock, in which restrict, in each case, the payment of any dividend with respect to the common stock without paying dividends on the Series B Stock and the Series B-2 Preferred Stock, and which provide for a preference in the payment of the dividends on the Series B Stock and the Series B-2 Preferred Stock requiring such dividends to be paid before any dividend or distribution is made to the common stockholders. Dividends on the preferred stock accrue at the rate of 10% of the stated value of the preferred stock per annum, and are payable in cash or in shares of common stock at the time of conversion of the preferred stock. In addition, dividends may not be paid so as to render us insolvent.

Our dividend policy will be based on our cash resources and needs and it is anticipated that all available cash will be needed for our operations in the foreseeable future.

Recent Sales of Unregistered Securities

The following information relates to sales of unregistered securities by the Company after June 30, 2004. All of these sales of securities were made in reliance upon the exemption from the registration provisions of the Securities Act of 1933, as amended (the "Securities Act"), set forth in Sections 4(2) thereof and the rules and regulations under the Securities Act, including Regulation D, as transactions by an issuer not involving any public offering and/or sales to a limited number of purchasers who were acquiring such securities for their own account for investment purposes and not with a view to the resale or distribution thereof.

The Company entered into a Series B-2 Preferred Stock Purchase Agreement (the "Purchase Agreement"), as of August 4, 2004. The Purchase Agreement related to the sale of 1,600 shares(the "Series B-2 Preferred Shares") of the Company's authorized but unissued shares of Preferred Stock, $0.00001 par value per share, designated Series B-2 Preferred Stock (the "Series B-2 Preferred Stock") at a purchase price of $1,000 per share, and warrants, exercisable over five (5) years, to purchase an aggregate of 1,600 shares of Series B-2 Preferred Stock at an exercise price of $1,000 per share (the "Warrants" and together with the shares of Series B-2 Preferred Stock, collectively, the "Securities") to the Investors. The aggregate purchase price for the Securities is $1,600,000, of Which $500,000 was received by Warp in an initial closing (which occurred on August 4, 2004) in which 500 shares of Series B-2 Preferred Stock were issued together with Warrants to acquire an additional 500 shares of Series B-2 Preferred Stock. Under the terms of the Purchase Agreement, the remaining $1,100,000 purchase price is to be paid at a closing no later than October 31, 2004 in which 1,100 shares of Series B-2 Preferred Stock will be issued together with Warrants to acquire an additional 1,100 shares of Series B-2 Preferred Stock. At any time a holder of shares of Series B-2 Preferred Stock may convert such shares into shares of Common Stock. In addition, if, upon the expiration of five (5) years from the date of issuance, there remain any shares of Series B-2 Stock which have not been converted, such shares shall automatically convert into shares of Common Stock. Each share of Series B-2 Preferred Stock is convertible into 20,000 shares of common stock.

Section 15(g) of the Exchange Act

The Company's shares are covered by Section 15(g) of the Securities Exchange Act of 1934, as amended, and Rules 15g-1 through 15g-6 promulgated there under, which impose additional sales practice requirements on broker/dealers who sell our securities to persons other than established customers and accredited investors.

Rule 15g-2 declares unlawful any broker-dealer transactions in penny stocks unless the broker-dealer has first provided to the customer a standardized disclosure document.

Rule 15g-3 provides that it is unlawful for a broker-dealer to engage in a penny stock transaction unless the broker-dealer first discloses and subsequently confirms to the customer the current quotation prices or similar market information concerning the penny stock in question.

Rule 15g-4 prohibits broker-dealers from completing penny stock transactions for a customer unless the broker-dealer first discloses to the customer the amount of compensation or other remuneration received as a result of the penny stock transaction.

Rule 15g-5 requires that a broker dealer executing a penny stock transaction, other than one exempt under Rule 15g-1, disclose to its customer, at the time of or prior to the transaction, information about the sales persons compensation.

The Company's common stock may be subject to the foregoing rules. The application of the penny stock rules may affect our stockholder's ability to sell their shares because some broker/dealers may not be willing to make a market in our common stock because of the burdens imposed upon them by the penny stock rules.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS.

The following discussion and analysis provides information which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read together with the Company's financial statements and the notes to financial statements, which are included in this report.

On May 24, 2002 the Company acquired WARP in the Share Exchange transaction. The transaction was effected by the issuance of 5.5254528 shares of the Company's common stock for each one (1) share of WARP's common stock. This resulted in the former WARP stockholders owning the majority of the outstanding shares of the common stock of the Company. For financial reporting purposes, the transaction is accounted for as a reverse acquisition, and WARP is treated as the acquiring entity for accounting purposes.

Although the Company is the surviving legal entity in the share exchange, the transaction was accounted for as an issuance of equity by WARP, and a recapitalization of WARP under the capital structure of the Company in exchange for $690 in net assets. Under the purchase method of accounting, the historical results of WARP have been carried forward and the Company's operations have been included in the financial statements commencing on the Closing Date. Accordingly, all the historical results included are those of WARP only. Results of operations after the Closing Date include the results of both companies on a consolidated basis.

Results of Operations

Twelve months ended June 30, 2004 vs. 2003

During the twelve months ending June 30, 2004 the Company recognized approximately $882,000 of revenues compared to $344,000 for the twelve months ended June 30, 2003. The increase in revenue was due primarily to the Company focusing more of its efforts in sales and marketing. In addition, licensing revenue in 2003 was recognized over the life of the contract because vendor specific objective evidence was not determinable. During 2004, licensing revenue was recognized upon delivery because pursuasive evidence of arrangements and fees were fixed and determinable and the receivables was deemed collectible by management.

Cost of sales for twelve months ended June 30, 2004 was approximately $425,000 of which $328,000 was directly related to the write-off of inventory relating to the change in its business model from a hardware to a software company. For the period ended June 30, 2003 the cost of sales was approximately $238,000 which included a write-off of approximately $165,000 of obsolete and damaged WARP 2063 boxes.

Product development was approximately $812,000 for the twelve months ended June 30, 2004 as compared to approximately $672,000 for the twelve months ended June 30, 2003. The increase in product development was due to the Company increased efforts in improving its core product.

Sales, marketing and business development was approximately $2,310,000 for the twelve months ended June 30, 2004 as compared to approximately $1,517,000 for the twelve months ended June 30, 2003. The increase represents the Company's focus on selling its products by increasing its sales force and marketing materials.

General and administrative expense was approximately $2,461,000 for the twelve months ended June 30, 2004 as compared to approximately $2,499,000 for the twelve months ended June 30, 2003. The decline was due to the Company cost cutting efforts and stringent cost control which was offset by increased legal fees.

Non-cash compensation for the period ending June 30, 2004 was approximately $6,007,000 as compared to $8,498,000. The decline represents less options vesting for 2004, offset by shares and options given to employees and consultants for services rendered and warrants given to stockholders for penalties incurred.

Net Operating Loss Carryforwards

At June 30, 2004, the Company has net operating loss carryforwards of approximately $21,850,000 which may be used to reduce taxable income in future years through the year 2022. Due to uncertainty surrounding the realization of the favorable tax attributes in future returns, WARP has placed a full valuation allowance against its net deferred tax asset. At such time as it is determined that it is more likely than not that the deferred tax asset is realizable, the valuation allowance will be reduced. Furthermore, the net operating loss carryforward may be subject to further limitation pursuant to Section 382 of the Internal Revenue Code.

Liquidity and Capital Resources

To date, the Company has financed its operations primarily through the sale of equity securities and debt. As of June 30, 2004, the Company had approximately $0.1 million in cash. The Company has never been profitable and expects to continue to incur operating losses in the future. The Company will need to generate significant revenues to achieve profitability and to be able to continue to operate. The Company's consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern. The Company's independent auditors have issued their report dated September 28, 2004, that includes an explanatory paragraph stating that the Company's recurring losses and accumulated deficit, among other things, raise substantial doubt about the Company's ability to continue as a going concern. The Company's historical sales have never been sufficient to cover its expenses and it has been necessary to rely upon financing from the sale of equity securities and debt to sustain operations.

The Company's ultimate future capital requirements will depend on many factors, including cash flow from operations, continued progress in research and development programs, competing technological and market developments, and the Company's ability to successfully market its products. The Company has no firm commitments from any sources to provide additional equity or debt financing. As such, there can be no assurance that sufficient funds will be raised to finance the operations of the Company through fiscal 2005. Moreover, any equity financing could result in dilution to the existing shareholders and any debt financing would result in higher interest expenses.

In addition to the $500,000 raised in August and the $1.1 million due at the final closing of the Series b-2 in connection with the sale of Series B-2 Preferred Stock, the Company anticipates that during its 2005 fiscal year it will need to raise $1,500,000 or more to support its working capital needs and to continue to execute the requirements of its business plan. Furthermore, the Company intends to pursue opportunities to acquire other businesses, and may need to raise capital in order to pursue such acquisitions.

The Company is continuing its efforts to raise capital through private equity transactions, subject to the provisions of Regulation D of the federal securities laws, and, although there can be no assurances, the Company believes that its current cash and anticipated proceeds from equity transactions and operating cash flows, will be sufficient to meet the Company's requirements for working capital and capital expenditures through the end of fiscal 2005. However, there can be no assurance that the Company will have sufficient capital to support its working capital needs through its 2005 fiscal year.

Subsequent Events

The Company entered into a Series B-2 Preferred Stock Purchase Agreement (the "Purchase Agreement"), as of August 4, 2004. The Purchase Agreement related to the sale of 1,600 shares (the "Series B-2 Preferred Shares") of the Company's authorized but unissued shares of Preferred Stock, $0.00001 par value per share, designated Series B-2 Preferred Stock (the "Series B-2 Preferred Stock") at a purchase price of $1,000 per share, and warrants, exercisable over five (5) years, to purchase an aggregate of 1,600 shares of Series B-2 Preferred Stock at an exercise price of $1,000 per share (the "Warrants" and together with the shares of Series B-2 Preferred Stock, collectively, the "Securities") to the

Investors. The aggregate purchase price for the Securities is $1,600,000, of which $500,000 was received by Warp in an initial closing (which occurred on August 4, 2004) in which 500 shares of Series B-2 Preferred Stock were issued together with Warrants to acquire an additional 500 shares of Series B-2 Preferred Stock. Under the terms of the Purchase Agreement, the remaining $1,100,000 purchase price is to be paid at a final closing no later than October 31, 2004 in which 1,100 shares of Series B-2 Preferred Stock will be issued together with Warrants to acquire an additional 1,100 shares of Series B-2 Preferred Stock. At any time a holder of shares of Series B-2 Preferred Stock may convert such shares into shares of Common Stock. In addition, if, upon the expiration of five (5) years from the date of issuance, there remain any shares of Series B-2 Stock which have not been converted, such shares shall automatically convert into shares of Common Stock. Each share of Series B-2 Preferred Stock is convertible into 20,000 shares of common stock.

In connection with the Series B-2 financing ISIS Capital Management, LLC ("ISIS") and Warp entered into a Consulting Agreement, dated as of August 4, 2004, pursuant to which Warp will pay ISIS for services requested of ISIS from time to time, including, without limitation, research services, at ISIS's regular rates or at the cost incurred by ISIS to provide such services, and will reimburse ISIS for any costs incurred by ISIS on behalf of Warp. ISIS is a limited liability company whose managing members are Rodney A. Bienvenu, Jr. ("Bienvenu"), the Company's Chief Executive Officer and Chairman of the Company's Board of Directors, and Ernest C. Mysogland ("Mysogland"), the Executive Vice President and Chief Legal Officer of the Company. ISIS is the managing member of ISIS Acquisition Partners II LLC ("IAP II"). IAP II is a stockholder of the Company having purchased shares of the Company's Series B-2 Preferred Stock.

Employment Contracts

Subsequent to June 30, 2004 the Company entered into employment contracts with following five executive officers: Rodney A. Bienvenu, Jr., its Chairman and Chief Executive Officer; Gus Bottazzi, its President, Principal Financial Officer, and Director; Ernest C. Mysogland, its Executive Vice President, Chief Legal Officer, and Secretary; Michael D. Liss, its Chief Operating Officer. Annual compensation under the employment agreements is $674,000 for the year ended June 30, 2005; $368,000 for the year ended June 30, 2006. In connection with the B-2 Financing, and the employment relationships entered into by the Company and certain members of management, the Company granted options to acquire shares of its Common Stock. The Company also amended its 2002 Employee Stock Plan to increase the total number of shares authorized for issuance under the plan to a total of 77,661,098 shares of Common Stock, and to reserve such shares for issuance under the plan. The options granted by the Company were granted to Bienvenu, Mysogland, Bottazzi and Liss. In addition, ISIS was granted certain non-qualified options to acquire shares of Common Stock. The total number of shares subject to these options is 66,971,236. All such options have an exercise price of $0.0675 per share. The exercise of such options is subject to the achievement of certain vesting and milestone terms (subject in each case to the terms of the optionee's stock option agreement). Any of the above-described options not previously exercisable shall be vested and exercisable on the fifth anniversary of the initial closing of the B-2 Financing.

Management and Board Changes.

As part of the B-2 financing, Warp hired certain persons as officers. As of the initial closing, Ron Bienvenu has become Chief Executive Officer of Warp, as well as becoming a director of the Company and Chairman of the Board. In addition, Ernest C. Mysogland became Executive Vice President and Chief Legal Officer of Warp.

Further, as of such date, Gus Bottazzi resigned as Chief Executive Officer, but continues to serve as President of the Company and a director. In addition to his role as President, Bottazzi will serve the Company as its Principal Financial Officer. Michael D. Liss, continues to serve the Company as Chief Operating Officer.

In connection with the B-2 financing, as of August 4, 2004, Malcolm D. Coster, resigned as Chairman of the Board, and as a director. Coster also resigned as the Company's Principal Financial Officer. Coster has agreed to consult with the Company on certain matters through October 31, 2004.

In connection with the Financing, as of August 4, 2004, Greg Parker ("Parker") resigned as a director of the Company.

Neither the resignation of Mr. Coster nor the resignation of Mr. Parker as directors was due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Critical Accounting Policies

Revenue Recognition

Pursuant to AICPA Statement of Position ("SOP") 97-2, Software Revenue Recognition, the Company recognizes revenues from the sale of the WARP 2063e product when persuasive evidence of a contractual arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is probable. The Company's software licenses generally are marketed with certain post-contract customer support ("PCS") and other obligations, which may include maintenance, delivery of unspecified upgrades, and warranties regarding service response times. Revenue under PCS agreements are recognized ratably over the term of the agreement. Under SOP 97-2, the Company must allocate revenue to each element based on vendor specific objective evidence ("VSOE") of each element's fair value. Accordingly, revenue from license agreements is being recognized ratably over the term of the PCS agreement. In January 2004 the Company has discontinued marketing the 2063e product. Licensing revenues from Spider are recognized upon product delivery, provided persuasive evidence of an arrangement exists, fees are fixed or determinable and the resulting receivable is deemed collectible by management.

Product Development Costs

Product development costs incurred in the process of developing product improvements and enhancements or new products are charged to expense as incurred. Statement of Financial Accounting Standards ("SFAS") No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon the completion of a working model. Costs incurred by the Company between the completion of the working model and the point at which the product is ready for general release has been insignificant.

Goodwill and other Intangibles

Our long-lived assets include goodwill and other intangibles assets. Statement of Financial Accounting Standards No.142 "Goodwill and Other Intangible Assets" ("SFAS 142") required that goodwill be tested for impairment on an annual basis and between annual testing in certain circumstances. Application of the goodwill impairment test requires judgment including estimating future cash flow, determining discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the fair value. Statement of Financial Accounting Standards No. 144 "Accounting for the impairment or Disposal of Long-Lived Assets" ("SFAS 144"), requires that we record an impairment charge on finite-lived intangibles or long-lived assets to be held and used when we determine that the carrying value of intangible assets and long-lived assets may not be recoverable.

Stock-Based Compensation

Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for fiscal years and interim periods ending after December 15, 2002. The Company has adopted the disclosure provisions of SFAS No. 148. SFAS No. 148 did not require the Company to change to the fair value method of accounting for stock-based compensation. Accordingly, the Company only records compensation expense for any stock options granted with an exercise price that is less than the fair market value of the underlying stock at the date of grant. We have not created, and are not party to, any special-purpose or off balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into our financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

ITEM 7. FINANCIAL STATEMENTS.

The financial statements and related notes responsive to this Item 7 are included as an appendix to this report as indexed on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Effective December 16, 2003 the Company discharged Ernst & Young LLP as its independent accountants. The reports of Ernst & Young LLP on the Company's consolidated financial statements for the past two fiscal years did not contain an adverse or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. The Company's Audit Committee participated in and approved the decision to change independent accountants.

In connection with its audits for the two most recent fiscal years and through December 16, 2003, the Company had no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which would have caused them to make reference to the subject matter of the disagreement in connection with their reports.

The Company requested that Ernst & Young LLP furnish it with a letter addressed to the SEC stating whether or not it agrees with the above statement. A letter from Ernst & Young LLP dated December 18, 2003 was provided, and a Form 8K dated December 19, 2003 containing that letter was filed with the Securities and Exchange Commission.

The Company has engaged Mahoney Cohen & Company, CPA, P.C. as its new independent accountants. During the two most recent fiscal years and through December 16, 2003 the Company has not consulted with Mahoney Cohen & Company, CPA, P.C. regarding (i) the application of accounting principles to a specified transaction either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and no written report or oral advice was provided to the Company concluding there was an important factor to be considered by the Company in reaching a decision as to an accounting, auditing, or financial reporting issue; (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instruction to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a) (1) (iv) of Regulation S-K.

ITEM 8A. CONTROLS AND PROCEDURES.

Within 90 days prior to the date of this Annual Report on Form 10-KSB for the fiscal year ended June 30, 2004, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and President, its principal executive officer, and the Company's Chief Operating Officer, its principal operating officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-14 of the Securities Exchange Act of 1934. Based upon that evaluation, the principal executive officer and principal operating officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company, including its consolidated subsidiaries, that is required to be included in the Company's periodic SEC filings. There were no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 8B. OTHER INFORMATION.

None.

PART III

ITEMS 9, 10, 11, 12, and 14.

The information called for in Items 9, 10, 11, 12 and 14 of Part III of this Form 10-KSB will be filed within 120 days after the end of the fiscal year covered by this Form.

ITEM 13. EXHIBITS

The following documents heretofore filed by the Company with the Securities and Exchange Commission are hereby incorporated by reference:

Exhibit Number	Description Of Document

2.1*	Form of Share Exchange Agreement dated as of May 16, 2002 by and among Abbo Mines, Ltd., Carlo Civelli, Mike Muzylowski, WARP Solutions, Inc., Karl Douglas, John Gnip and the Persons Identified on Schedule A thereto. Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by the Company on June 10, 2002.
2.2*	Form of Share Exchange Agreement dated as of December 13, 2002 by and among WARP Technology Holdings, Inc., 6043577 Canada Inc., Spider Software Inc., the Spider Insiders and the Persons Identified on Schedule A thereto. Incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed by the Company on January 25, 2003.
3.1*	Articles of Incorporation of WARP Technology Holdings, Inc. Incorporated by reference to Exhibit 3.1 to the Registration Statement on Form SB-2 (Registration No. 333-46884) filed by the Company on August 28, 2000 as amended (the "Registration Statement").
3.2*	By-laws of WARP Technology Holdings, Inc. Incorporated by reference to Exhibit 3.2 to the Registration Statement.
3.3*	The form of the Articles of Merger of Abbott Mines Limited and WARP Technology Holdings, Inc. Incorporated by reference to Exhibit 3.5 to the Current Report on Form 8-K filed by the Company on September 3, 2002.
3.4*	Form of Certificate of Amendment to Articles of Incorporation of WARP Technology Holdings, Inc. filed with the Secretary of State of the State of Nevada on September 12, 2003. Incorporated by reference to Exhibit 3.4 of the Annual Report on Form 10-KSB filed by the Company on October 14, 2003.
3.5*	Form of Charter of the Audit Committee of the Board of Directors of WARP Technology Holdings, Inc. as adopted by the Unanimous Consent of the Board Directors of the Company in May 2003 which governs the make-up, powers a responsibilities of the Audit Committee of the Board of Directors. Incorporated by reference to Exhibit 3.5 of the Annual Report on Form 10-KS filed by the Company on October 14, 2003.
3.6*	Form of Certificate Of Designations, Preferences And Rights Of Series A 8% Cumulative Convertible Preferred Stock Of Warp Technology Holdings, Inc. as filed with the Secretary of State of the State of Nevada on October 1, 2003 Incorporated by reference to Exhibit 3.6 to the Quarterly Report on Form 10-QSB filed by the Company on November 14, 2003.
3.7*	Form of Certificate Of Designations, Preferences And Rights Of Series B 10% Cumulative Convertible Preferred Stock Of Warp Technology Holdings, Inc. as filed with the Secretary of State of the State of Nevada on October 1, 2003 Incorporated by reference to Exhibit 3.7 to the Quarterly Report on Form 10-QSB filed by the Company on November 14, 2003.
3.8*	Certificate of Designations, Preferences, and Rights of Series B-2 Preferre Stock, as filed with the Secretary of State of the State of Nevada on Augus 4, 2004. Incorporated by reference to Exhibit 10.02 to the Current Report Form 8-K filed by the Company on August 20, 2004.
4.01*	Form of Warrant to Purchase Shares of Series B-2 Preferred Stock. Incorporated by reference to Exhibit 4.01 to the Current Report on Form 8-K filed by the Company on August 20, 2004.

10.3*	The form of the Financial Consulting Agreement dated March 5, 2002 between WARP Solutions, Inc. and Lighthouse Capital, Inc. Incorporated by reference to Exhibit 10.3 to the Annual Report on Form 10-KSB filed by the Company on October 7, 2002.
10.4*	The form of the Financial Consulting Agreement dated May 16, 2002 between t Company and Lighthouse Capital, Inc. Incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-KSB filed by the Company on October 7, 2002.
10.5*	Form of Master Distributor Agreement between Macnica Networks Company and WARP Solutions, Inc. dated as of August 1, 2002. Incorporated by reference Exhibit 10.5 to the Annual Report on Form 10-KSB filed by the Company on October 7, 2002.
10.6*	Form of Master Distributor Agreement between CDI Technologies, Inc. and WAR Solutions, Inc. dated as of September 1, 2002. Incorporated by reference to Exhibit 10.6 to the Annual Report on Form 10-KSB filed by the Company on October 7, 2002.
10.8*	The WARP Technology Holdings, Inc. 2002 Stock Incentive Plan. Incorporated reference to Exhibit 10.8 to the Quarterly Report on Form 10-QSB filed by t Company on February 14, 2003.
10.9*	Form of Stock Option Grant agreement for options granted pursuant to The WA Technology Holdings, Inc. 2002 Stock Incentive Plan. Incorporated by reference to Exhibit 10.9
	to the Quarterly Report on Form 10-QSB filed by the Company on February 14, 2003.
10.10*	Form of Strategic Alliance Agreement dated as of April 7, 2003 between Mirr Image Internet, Inc. and WARP Solutions, Inc. Incorporated by reference to Exhibit 10.10 to the Quarterly Report on Form 10-QSB filed by the Company o May 16, 2003.
10.11*	Form of iMimic/OEM Software License Agreement dated April 2003 between iMim Networking, Inc. and WARP Technology Holdings, Inc. Incorporated by referen to Exhibit 10.11 to the Quarterly Report on Form 10-QSB filed by the Compan on May 16, 2003.
10.12*	Form of Consulting Agreement between WARP Technology Holdings, Inc. and Dr. David Milch dated as of August 1, 2003. Incorporated by reference to Exhibi 3.4 of the Annual Report on Form 10-KSB filed by the Company on October 14, 2003.
10.13*	Form of Consulting Agreement between WARP Technology Holdings, Inc. and Mr. Steven Antebi which was executed by the parties thereto on December 23, 200 Incorporated by reference to Exhibit 10.13 to the Quarterly Report on Form 10-QSB filed by the Company on February 12, 2004.
10.14*	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Malcolm Coster which was executed by the parties thereto on November 17, 20 Incorporated by reference to Exhibit 10.14 to the Quarterly Report on Form 10-QSB filed by the Company on February 12, 2004.

10.15*	Form of Consulting Agreement between WARP Technology Holdings, Inc. and Mr. Noah Clark which was executed by the parties thereto on March 29, 2004. Incorporated by reference to Exhibit 10.13 to the Quarterly Report on Form 10-QSB filed by the Company on May 17, 2004.
10.16*	Series B-2 Preferred Stock Purchase Agreement entered into as of August 4, 2004 between and among the Company and the Persons listed on Schedule 1.01 thereto. Incorporated by reference to Exhibit 10.01 to the Current Report o Form 8-K filed by the Company on August 20, 2004.
10.17*	Stockholders Agreement, dated as of August 4, 2004, between and among Warp, the holders of the Series B-2 Preferred Stock and such other Stockholders a named therein. Incorporated by reference to Exhibit 10.03 to the Current Report on Form 8-K filed by the Company on August 20, 2004.
10.18#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Ron Bienvenu which was executed by the parties thereto on August 4, 2004.
10.19#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Gus Bottazzi which was executed by the parties thereto on August 4, 2004.
10.20#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Ernest Mysogland which was executed by the parties thereto on August 4, 200
10.21#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Michael David Liss which was executed by the parties thereto on August 4, 2004.
10.22#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Ron Bienvenu which was executed by the parties thereto on Augu 4, 2004.
10.23#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Gus Bottazzi which was executed by the parties thereto on Augu 4, 2004.
10.24#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Ernest Mysogland which was executed by the parties thereto on August 4, 2004.
10.25#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Michael David Liss which was executed by the parties thereto o August 4, 2004.
10.26#	Form of Consulting Agreement between WARP Technology Holdings, Inc. and ISI Capital Management, LLC which was executed by the parties thereto on August 4, 2004.
10.27#	Form of Stock Option Agreement between WARP Technology Holdings, Inc. and ISIS Capital Management, LLC which was executed by the parties thereto on August 4, 2004.
21.1#	Subsidiaries of the Company.
31.1#	Certification of Periodic Report pursuant to Section 302 of the Sarbanes

	Oxley Act of 2002.
31.2#	Certification of Periodic Report pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1#	Certification pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

* Incorporated herein by reference.

\# Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

October 12, 2004

WARP TECHNOLOGY HOLDINGS INC

By: /s/ Ron Bienvenu

Ron Bienvenu, CEO, Chairman
as Registrant's duly authorized officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Ron Bienvenu	/s/ Gus Bottazzi
Ron Bienvenu Chairman, Chief Executive Officer and Director October 12, 2004	Gus Bottazzi President, Director October 12, 2004

EXHIBIT INDEX

The following documents are filed herewith:

Exhibit Number	Description Of Document
10.18#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Ron Bienvenu which was executed by the parties thereto on August 4, 2004.
10.19#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Gus Bottazzi which was executed by the parties thereto on August 4, 2004.
10.20#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr.

	Ernest Mysogland which was executed by the parties thereto on August 4, 200
10.21#	Form of Employment Agreement between WARP Technology Holdings, Inc. and Mr. Michael David Liss which was executed by the parties thereto on August 4, 2004.
10.22#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Ron Bienvenu which was executed by the parties thereto on Augu 4, 2004.
10.23#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Gus Bottazzi which was executed by the parties thereto on Augu 4, 2004.
10.24#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Ernest Mysogland which was executed by the parties thereto on August 4, 2004.
10.25#	Form of Incentive Stock Option Agreement between WARP Technology Holdings, Inc. and Mr. Michael David Liss which was executed by the parties thereto o August 4, 2004.
10.26#	Form of Consulting Agreement between WARP Technology Holdings, Inc. and ISI Capital Management, LLC which was executed by the parties thereto on August 4, 2004.
10.27#	Form of Stock Option Agreement between WARP Technology Holdings, Inc. and ISIS Capital Management, LLC which was executed by the parties thereto on August 4, 2004.
21.1#	Subsidiaries of the Company.
31.1#	Certification of Periodic Report pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2#	Certification of Periodic Report pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1#	Certification pursuant to 18 U.S.C., Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.

INDEX TO FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
WARP Technology Holdings, Inc.

We have audited the accompanying consolidated balance sheet of WARP Technology Holdings, Inc. and subsidiaries (the "Company") as of June 30, 2004, and the consolidated statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of WARP Technology Holdings, Inc. and subsidiaries as of June 30, 2004, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that WARP Technology Holding, Inc. and subsidiaries will continue as a going concern. As more fully described in Note 1 to the financial statements, the Company has incurred recurring operating losses and has a working capital deficiency at June 30, 2004. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Mahoney Cohen & Company, CPA, P.C.

September 28, 2004

New York, New York

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Report of Independent Registered Public Accounting Firm

To the Stockholders of
WARP Technology Holdings, Inc.

We have audited the accompanying, consolidated statements of operations, stockholders' equity, and cash flows of Warp Technology Holding, Inc. ("the Company") for the year ended June 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations, cash flows and stockholders' equity of the Company for the year ended June 30, 2003 in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that WARP Technology Holding, Inc. will continue as a going concern. As more fully described in Note 1 to the financial statements, the Company has incurred recurring operating losses and has a working capital deficiency at June 30, 2003. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Ernst & Young LLP

October 9, 2003
New York, New York

WARP Technology Holdings, Inc.

Consolidated Balance Sheets

	June 30, 2004
Assets	
Current assets:	
Cash	$ 115,491
Accounts receivable	117,847
Prepaid expenses and other	15,850
Deferred product cost	14,028
Total current assets	263,216
Property and equipment, net	36,312
Intangible assets, net of accumulated amortization of 277,083	252,917
Goodwill	3,893,294
Total assets	$ 4,445,739

Liabilities and stockholders' equity

Current liabilities:	
Accounts payable	$ 672,105
Accrued expenses	336,496
Deferred revenue	155,826
Deferred compensation	444,000
Total current liabilities	1,608,427
Commitments and contingencies	-
Stockholders' equity:	
Preferred stock (Canadian subsidiary)	4
Cumulative convertible preferred stock, Series A; $.00001 par value; 0 shares issued and outstanding	--
Cumulative convertible preferred stock, Series B; $.00001 par value; 2,915 shares issued and outstanding (Liquidation value $2,915,100)	2,915,100
Shares to be issued, cumulative, convertible Preferred stock of Series B (393 shares)	392,939
Common stock, $.00001 par value; 500,000,000 shares authorized, 97,111,483 shares issued and outstanding	971
Additional paid-in capital	40,121,816
Deferred compensation	(891,833)
Accumulated other comprehensive loss	(4,990)
Accumulated deficit	(39,696,695)
Total stockholders' equity	2,837,312
Total liabilities and stockholders' equity	$ 4,445,739

See accompanying notes to consolidated financial statements.

WARP Technology Holdings, Inc.

Consolidated Statements of Operations

	Year ended June 30 2004	Year ended June 30 2003
Revenue	$ 882,121	$ 344,153
Product cost	425,334	237,594
Product development	811,725	672,298
Sales, marketing and business development	2,310,055	1,517,443
Non-cash compensation, consulting and other fees	6,007,255	8,497,708
General and administrative	2,461,130	2,498,975
Loss before interest	(11,133,378)	(13,079,865)

Interest income	63,073	26,750
Net loss	$(11,070,305)	$(13,053,115)
Computation of loss Applicable to Common Shareholders		
Net loss before beneficial conversion and preferred dividends	$(11,070,305)	$(13,053,115)
Beneficial conversion and preferred dividends	(1,623,046)	--
Loss attributable to common stockholders	$(12,693,351)	$(13,053,115)
Basic and diluted net loss per share attributable to common stockholders	$ (0.17)	$ (0.21)
Weighted-average number common shares--basic and diluted	76,551,082	63,445,109

See accompanying notes to consolidated financial statements.

WARP Technology Holdings, Inc.
Consolidated Statements of Stockholders' Equity

	CANADIAN CONVERTIBLE PREFERRED SHARES	CANADIAN CONVERTIBLE PREFERRED AMOUNT	CONVERTIBLE PREFERRED SERIES A SHARES	CONVERTIBLE PREFERRED SERIES A AMOUNT	CON SH
BALANCE--JUNE 30, 2002					
Issuance of common stock					
Cost in connection with issuance					
Issuance of common stock					
Cost in connection with issuance					
Issuance of common stock and warrants					
Cost in connection with issuance					
Non-cash compensation relating to stock options					
Amortization of stock options					
Forfeited stock options					
Equity issued for Spider acquisition	1,500,000	15			
Non-cash compensation relating to stock options					
Warrants excercised					
Foreign Currency translation					
Net loss for the year ended June 30, 2003					
BALANCE--JUNE 30, 2003	1,500,000	15		-	
Issuance of common stock to a Consultant					
Issuance of Series A shares and Warrants			975,940	975,940	

Cost in connection with Series A issuance					
Conversion of Series A to Series B stock			(975,940)	(975,940)	
Issuance of Series B shares and Warrants					3,
Cost in connection with issuance					
Warrant exchange program					
Issuance of common stock					
Cost in connection with issuance					
Amortization of stock options					
Forfeited stock options					
Issuance of common stock to a Consultant					
Issuance of common stock					
Warrants issued to investors					
Penalties on Series B stock					
Dividends on Series B stock					
Conversion of Series B stock					(1,
Shares issued to employees					
Beneficial Conversion					
Foreign Currency					
Canadian Conversion of Preferred Stock	(1,073,446)	(11)			
Net Loss for the year ended June 30, 2004					
BALANCE-JUNE 30, 2004	426,554	4	-	-	2,

	SHARES TO BE ISSUED AMOUNT	COMMON SHARES	STOCK AMOUNT	PAID IN CAPITAL	D
BALANCE--JUNE 30, 2002		57,145,360	572	14,868,554	
Issuance of common stock		3,600,000	36	899,964	
Cost in connection with issuance				(177,899)	
Issuance of common stock		2,100,000	21	499,979	
Cost in connection with issuance				(93,769)	
Issuance of common stock and warrants		3,873,346	39	2,061,211	
Cost in connection with issuance				(292,608)	
Non-cash compensation relating to stock options				18,996,000	(18
Amortization of stock options					7
Forfeited stock options				(3,406,667)	3
Equity issued for Spider acquisition				4,178,843	
Non-cash compensation relating to stock options				125,375	
Warrants excercised		543,880	5	(5)	
Foreign Currency translation					
Net loss for the year ended June 30, 2003					
BALANCE--JUNE 30, 2003	0	67,262,586	673	37,658,978	(7
Issuance of common stock to a Consultant		5,000,000	50	949,950	
Issuance of Series A shares and Warrants					
Cost in connection with Series A issuance				(60,000)	
Conversion of Series A to Series B stock					
Issuance of Series B shares and Warrants					
Cost in connection with issuance				(368,258)	
Warrant exchange program		4,437,387	44	658,814	
Issuance of common stock		1,600,000	16	287,984	
Cost in connection with issuance				(28,000)	
Amortization of stock options					3

Forfeited stock options				(3,815,684)	3
Issuance of common stock to a Consultant		5,000,000	50	949,950	
Issuance of common stock		130,247	1	24,410	
Warrants issued to investors				285,193	
Penalties on Series B stock	202,882				
Dividends on Series B stock	190,057				
Conversion of Series B stock		10,554,086	105	1,899,630	
Shares issued to employees		2,053,731	21	305,860	
Beneficial Conversion				1,372,989	
Foreign Currency					
Canadian Conversion of Preferred Stock		1,073,446	11		
Net Loss for the year ended June 30, 2004					
	--------	----------	-----	----------	---
BALANCE-JUNE 30, 2004	392,939	97,111,483	971	40,121,816	
	========	==========	=====	==========	===

	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	ACCUMULATED DEFICIT	ANNUAL COMPREHENSIVE INCOME (LOSS)
BALANCE--JUNE 30, 2002		(13,950,229)	
Issuance of common stock			
Cost in connection with issuance			
Issuance of common stock			
Cost in connection with issuance			
Issuance of common stock and warrants			
Cost in connection with issuance			
Non-cash compensation relating to stock options			
Amortization of stock options			
Forfeited stock options			
Equity issued for Spider acquisition			
Non-cash compensation relating to stock options			
Warrants excercised			
Foreign Currency translation	18,773		18,773
Net loss for the year ended June 30, 2003		(13,053,115)	(13,053,115)
	-------------	-----------	------------
BALANCE--JUNE 30, 2003	18,773	(27,003,344)	(13,034,342)
	-------------	-----------	------------
Issuance of common stock to a Consultant			
Issuance of Series A shares and Warrants			
Cost in connection with Series A issuance			
Conversion of Series A to Series B stock			
Issuance of Series B shares and Warrants			
Cost in connection with issuance			
Warrant exchange program			
Issuance of common stock			
Cost in connection with issuance			
Amortization of stock options			
Forfeited stock options			
Issuance of common stock to a Consultant			
Issuance of common stock			
Warrants issued to investors			
Penalties on Series B stock			
Dividends on Series B stock		(250,057)	
Conversion of Series B stock			
Shares issued to employees			

Beneficial Conversion		(1,372,989)	
Foreign Currency	(23,763)		(23,763)
Canadian Conversion of Preferred Stock			
Net Loss for the year ended June 30, 2004		(11,070,305)	(11,070,305)
BALANCE-JUNE 30, 2004	(4,990)	(39,696,695)	(11,094,068)

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WARP Technology Holdings, Inc.

Consolidated Statements of Cash Flows

	Year end June 30 2004
Operating activities	
Net loss	$(11,070,
Adjustments to reconcile net loss to net cash used in operating activities, net of business acquired:	
Depreciation	51,
Amortization	190,
Stock-based compensation, consulting and other fees	6,007,
Changes in operating assets and liabilities:	
Accounts receivable	(105,
Inventory	207,
Prepaid expenses and other	47,
Accounts payable and accrued expenses	63,
Deferred product cost	
Deferred revenue	58,
Deferred compensation payable	(250,
Net cash used in operating activities	(4,800,
Investing activities	
Security deposits	28,
Cash acquired in the Spider acquisition	
Acquisition consideration	
Purchase of property and equipment	(3,
Net cash provided by (used in) investing activities	24,
Financing activities	
Proceeds from issuance of preferred and common stock, net of issuance costs	4,682,
(Repayment) Proceeds from bridge loan	(120,
Proceeds/advances of stockholder/officer's loan	
Prepaid subscription	
Net cash provided by financing activities	4,562,
Effect of exchange rate changes on cash	(31,

Net (decrease) in cash	(244,
Cash--beginning of year	360,
Cash--end of year	$ 115,
Supplemental disclosure of cash flow Information Income tax paid	$ 2,

Supplemental disclosure of non-cash investing and finance activities

For the year ended June 30, 2004, the Company recorded $392,939 for the issuance of approximately 393 shares of Series B Convertible Preferred Shares in connection with penalties and dividends due to preferred stockholders.

See accompanying notes to consolidated financial statements.

Warp Technology Holdings, Inc.
Notes to Consolidated Financial Statements

Note 1. Organization Merger, Description of Business and Basis of Presentation

On May 24, 2002 ("the Closing Date") Abbott Mines, Ltd. ("the Company"), a Nevada corporation, acquired the outstanding common stock of WARP Solutions, Inc. ("WARP") in a Share Exchange transaction (the "Share Exchange"). The transaction was effected by the issuance of 1.3813632 shares of the Company's common stock, or 5.5254528 shares of the Company's common stock after giving effect to the September Stock Dividend described below. In connection with the Share Exchange, the officers and directors of WARP became the officers of the Company and joined the board of directors of the Company, replacing the Company's officers and one of the Company's directors who resigned their positions at the Closing Date. This resulted in the former WARP stockholders owning the majority of the outstanding shares of the Company. For financial reporting purposes, the transaction is accounted for as a reverse acquisition, and WARP has been treated as the acquiring entity for accounting purposes.

Although the Company was the surviving legal entity in the Share Exchange, the transaction was accounted for as an issuance of equity by WARP, and a recapitalization of WARP under the capital structure of the Company in exchange for $690 in net assets. Under the purchase method of accounting, the historical results of WARP have been carried forward and the Company's operations have been included in the financial statements commencing on the Closing Date. Accordingly, all the historical results included are those of WARP only.

On August 19, 2002, the Board of Directors of the Company authorized and approved the upstream merger of WARP Technology Holdings, Inc., a wholly owned subsidiary of the Company which had no operations, with and into the Company pursuant to Chapter 92A of the Nevada Revised Statutes (the "Upstream Merger"). The Upstream Merger became effective on August 21, 2002, when the Company filed Articles of Merger with the Nevada Secretary of State. In connection with the Upstream Merger, and as authorized by Section 92A.180 of the Nevada Revised Statutes, the Company changed its name from Abbott Mines Limited to WARP Technology Holdings, Inc. WARP is a wholly owned subsidiary of WARP Technology, Holding, Inc. (the "Company")

On September 20, 2002, the Company's Board of Directors declared a stock split in the form of a dividend (the "September Stock Dividend") payable to the common stockholders of record on September 24, 2002 (the "record date") of three shares of common stock for each one share issued and outstanding on the record date. The Dividend was effective and payable on October 2, 2002.

All common share amounts have been reflected in the accompanying financial statements and related footnotes as if the Share Exchange and the September Stock Dividend had occurred as of July 1, 2002.

On July 3, 2003, the Board of Directors of the Company unanimously approved the adoption of a proposed Amendment to the Articles of Incorporation of the Company to: (a) increase the number of authorized shares of common stock, par value $.00001 per share, of the Company from 100,000,000 shares to 500,000,000 shares, and (b) authorize the creation of 50,000,000 shares of par value $.00001 per share blank check preferred stock, subject to approval by a majority of the Company's stockholders. On July 7, 2003, the holders of a majority of the outstanding shares of our common stock approved the Amendment to the Articles of Incorporation in writing. On August 12, 2003, the Company filed its Definitive Schedule 14C Information Statement with the SEC describing this corporate action and on August 18, 2003 this Information Statement was sent by first class mail to the Company's stockholders of record who were not solicited for their consent to this corporate action. Pursuant to Rule 14c-2 under the Securities Exchange Act of 1934, as amended, the Amendment to the Articles of Incorporation authorized by the Board of Directors and the stockholders could not become effective until at least twenty days after the mailing of the Information Statement. Such twenty-day period expired on September 7, 2003 and on September 12, 2003 the Company filed the Certificate of Amendment to Articles of Incorporation with the Secretary of State of the State of Nevada and the Amendment to the Articles of Incorporation of the Company became effective.

Note 1. Organization Merger, Description of Business and Basis of Presentation (continued)

The Company was incorporated on June 26, 2000, for the purpose of acquiring, exploring and developing mining properties. Subsequent to the Closing Date, the Company ceased all exploration activities.

WARP was organized as a Delaware Limited Liability Company ("LLC") on July 16, 1999, for the purpose of developing Internet performance and security software. On December 14, 1999, the LLC was reorganized as a Delaware corporation and changed it name to WARP Solutions, Inc.

The Company is an information technology company that produces a series of application acceleration products that improve the speed and efficiency of transactions and information requests that are processed over Internet and Intranet network systems. The Company's GTEN suite of software products and technologies is designed to accelerate network applications, reduce network congestion, and reduce the cost of expensive server deployments for enterprises engaged in high volume network activities.

6043577 Canada, Inc. a wholly-owned subsidiary of the Company, was established in January 2003 to acquire SpiderSoftware, Inc a Canadian Corporation. Effective January 13, 2003 the Company, through its wholly owned subsidiary 6043577 Canada, Inc acquired SpiderSoftware, Inc.(See note 6)

Basis of Presentation

The Company has incurred recurring operating losses since its inception, as of June 30, 2004 had an accumulated deficit of approximately $39,697,000 and at June 30, 2004 had insufficient capital to fund all of its obligations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effect of the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.

The Company's continuation as a going concern is dependant upon receiving additional financing. In August 2004 the Company entered into a Series B-2 Preferred Stock Purchase Agreement for the sale of 1,600 shares of Series B-2 Preferred stock, and received approximately $500,000 of cash from the sale of Series B -2 shares and anticipates that it will receive $1,100,000 of cash from the sales of Series B-2 shares in the final closing under the Purchase Agreement. The Company anticipates that during its 2005 fiscal year in addition to the $500,000 received and the $1,100,000 to be received from the sale of Series B-2 preferred stock it will need to raise over $1,500,000 to support its working capital needs and to continue to execute the requirements of its business plan. Management of the Company is currently in a process of trying to secure additional capital. There can be no assurance that the Company will be successful in this capital raise or other attempts to raise sufficient capital.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of WARP and its wholly-owned subsidiaries, (collectively the "Company"). All inter-company transactions and balances have been eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided by the straight-line method over the estimated useful lives of the assets, ranging from two to five years. Leasehold improvements are amortized on a straight line basis over the lesser of their estimated useful lives or the life of the underlying lease.

Revenue Recognition

Pursuant to AICPA Statement of Position ("SOP") 97-2, Software Revenue Recognition, the Company recognizes revenues from the sale of the WARP 2063e product when persuasive evidence of a contractual arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is probable. The Company's software licenses generally are marketed with certain post-contract customer support ("PCS") and other obligations, which may include maintenance, delivery of unspecified upgrades, and warranties regarding service response times. Revenue under PCS agreements are recognized ratably over the term of the agreement. Under SOP 97-2, the Company must allocate revenue to each element based on vendor specific objective evidence ("VSOE") of each element's fair value. Accordingly, revenue from license agreements is being recognized ratably over the term of the PCS agreement. In January 2004 the Company has discontinued marketing the 2063e product. Licensing revenues from Spider are recognized upon product delivery, provided persuasive evidence of an arrangement exists, fees are fixed or determinable and the resulting receivable is deemed collectible by management.

Intangible Assets and Goodwill

Intangible assets are primarily comprised of trademark, software, non-compete agreements and workforce assembly. Goodwill represents acquisition costs in excess of the net assets of businesses acquired. In accordance with SFAS 142, "Goodwill and Other Intangible Assets" no amortization of goodwill is necessary and goodwill is tested for impairment on an annual basis. All other intangibles are being amortized over their estimated useful life of two to three years.

Concentration of Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consists primarily of accounts receivable. The Company performs on going credit evaluations of its customers and maintains allowances for potential credit issues. Historically, such loses have been within management's expectations. For the year ended June 30, 2004, four customers accounted for approximately 84% of revenues.

Note 2. Summary of Significant Accounting Policies (continued)

Product Development Costs

Product development costs incurred in the process of developing product improvements and enhancements or new products are charged to expense as incurred. Statement of Financial Accounting Standards ("SFAS") No. 86, Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon the completion of a working model. Costs incurred by the Company between the completion of the working model and the point at which the product is ready for general release has been insignificant.

Inventory

At June 30, 2003,inventory consisted of finished goods and was valued at the lower of cost or market. As of March 31, 2004 the Company changed its business model from selling hardware and software to selling only software. As a result the Company wrote off all of its remaining hardware inventory of approximately $328,000 in the third quarter of 2004.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are recognized with respect to the future tax consequences attributable to differences between the tax basis of assets and liabilities and their carrying amounts for financial statement purposes. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Loss Per Share

Basic and diluted net loss per share information for all periods is presented under the requirements of SFAS No. 128, Earnings Per Share. Basic loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted-average common shares outstanding during the period. Diluted loss per share is calculated by dividing net loss attributable to common stockholders by the weighted-average common shares outstanding. The dilutive effect of preferred stock, warrants and options convertible into an aggregate of approximately 41,852,000 and 10,061,000 of common shares as of June 30, 2004 and June 30, 2003 respectively, are not included as the inclusion of such would be anti-dilutive for all periods presented.

Segment Information

The Company operates in one segment.

Stock-Based Compensation

Stock-based compensation is accounted for by using the intrinsic value-based method in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 amends SFAS No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The provisions of SFAS No. 148 are effective for financial statements for fiscal years and interim periods ending after December 15, 2002. The Company has adopted the disclosure provisions of SFAS No. 148. SFAS No. 148 did not require the Company to change to the fair value method of accounting for stock-based compensation. Accordingly, the Company only records compensation expense for any stock options granted with an exercise price that is less than the fair market value of the underlying stock at the date of grant.

Note 2. Summary of Significant Accounting Policies (continued)

Stock-Based Compensation (continued)

The following table details the effect on net income and earnings per share had stock-based compensation expense been recorded based on the fair value method under SFAS No. 123, as amended (see note 5).

	Year ended June 30, 2004	Year ended June 30, 2003
Net loss, as reported	$(11,070,305)	$(13,053,115)
Add: Total stock-based employee compensation expense included in reported net loss	3,203,483	8,497,708
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards	(3,702,564)	(8,722,466)
Net loss, pro forma	$(11,569,386)	$(13,277,873)
Beneficial conversion and preferred dividends	(1,623,046)	--
Net loss attributable to common stockholders - Proforma	(13,192,432)	(13,277,873)
Basic and diluted net loss per share attributable to common stockholders, as reported	$ (0.17)	$ (0.21)
Basic and diluted net loss per share attributable to common stockholders pro forma	$ (0.17)	$ (0.21)

Pro forma information regarding net loss is required by SFAS No. 123, and has been determined as if Warp had accounted for its employees' stock options under the fair value method provided by this statement. The fair value for these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year ended June 30, 2004	2003
Expected life	3 years	3 years
Risk-fee interest rate	2.13%	3.56%
Expected volatility	183%	112%
Dividend yield	0%	0%

Option pricing models require the input of highly subjective assumptions. Because WARP's employee stock has characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Fair Value of Financial Instruments

For financial statement instruments, including cash, accounts receivable and accounts payable, the carrying amount approximated fair value because of their short maturity.

Note 2. Summary of Significant Accounting Policies

Foreign Currency

The functional currency of the Company's international subsidiaries is the local currency. The financial statements of these subsidiaries are translated to United States dollars using period-end rates of exchanges for assets and liabilities, and average rates of exchanges for the year for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (losses) as a component of stockholders' equity. Net gain and losses resulting from foreign exchange transactions are included in other income, net and were not significant during the period presented.

Recent Accounting Pronouncement

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, except as for provisions that relate to SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 30, 2003, which should continue to be applied in accordance with their respective dates. The adoption of SFAS No. 149 has not and is not expected to have a material impact on the Company's financial condition, results of operations, and cash flows.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". This statement requires that certain financial instruments that, under previous guidance, issuers could account for as equity be classified as liabilities in statements of financial position. Most of the guidance in SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 has not and is not expected to have a material impact on the Company's financial condition, results of operations, and cash flows.

In December 2003, the FASB issued FASB interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN46"). FIN46 requires that a variable interest entity be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual return or both. The consolidation requirements apply to the first fiscal or interim period ending after December 15, 2004. The adoption of FIN46 is not expected to have a material impact on the Company's financial condition, results of operations, and cash flows.

Note 3. Property and Equipment

At June 30, 2004 property and equipment consists of the following:

Purchased software	$ 84,283
Computer equipment	144,596
Furniture, fixtures and equipment	98,679
	327,558
Accumulated depreciation	(291,246)
	$ 36,312

Note 4. Accrued Expenses

At June 30, 2004 accrued expenses consists of the following

Accrued professional fees	$ 95,563
Accrued vendor costs	96,000
Other accrued expenses	144,933
	$336,496

Note 5. Stockholders' Equity

Common and Preferred Stock

In September 2002, the Company closed an offering of 3,600,000 restricted shares of its common stock in a private transaction for gross proceeds of approximately $900,000 in cash. The Company paid finders and placement fees in the amount of approximately $178,000 in connection with this transaction.

In November 2002 the Company closed an offering of 2,100,000 restricted shares of its common stock in a private transaction for gross proceeds of approximately $500,000 in cash. The Company paid finders and placement fees in the amount of $94,000 in connection with this transaction.

Pursuant to the exchange agreement in connection with the Spider acquisition, the Spider shareholders were issued 1.5 million shares of preferred stock of 6043577 Canada, Inc., a wholly owned subsidiary of the Company, which is convertible into shares of the Company's common stock on a one for one basis. The preferred stock has no preferences, no redemption or voting rights.

In its Quarterly Report on Form 10-QSB for the fiscal quarter ended March 31, 2003, the Company reported the completion of a private offering of 171,776 Units with gross proceeds to the Company from the sale equaling $2,061,250 (the "February Private Placement"). Each Unit had a purchase price of $12.00 and consisted of sixteen (16) shares of the Company's common stock and a warrant to purchase nine (9) shares of the Company's common stock at an exercise price of $.10 per share. Based upon a review of records, the February Private Placement consisted of the sale of 46,770 Units with gross proceeds to the Company from the sale equaling $561,250. Concurrent with the February Private Placement, the Company completed the sale of 3,125,015 shares of its common stock to three accredited investors for gross proceeds to the Company of $1,500,000. In the aggregate, the Company raised gross proceeds of $2,061,250 through the February Private Placement and concurrent private sale of common stock. The Company paid finders and placement fees in the aggregate of approximately $293,000 in connection with the February Private Placement and the concurrent private sale of common stock. The common stock and warrants underlying the Units issued in the November Private Placement and the common stock sold in the concurrent private sale are restricted securities and were issued in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act. The common stock and warrants underlying the Units issued in the November Private Placement and the common stock sold in the concurrent private sale are subject to Rule 144 under the Securities Act and therefore generally cannot be resold for a period of twelve months from the date of purchase. No general solicitations were made in connection with the February Private Placement or the concurrent private sale of common stock.

On September 30, 2003, the Company completed an offering of 975,940 shares of its Series A 8% Cumulative Convertible Preferred Stock (the "A Shares") with gross proceeds to the Company from the sale equaling $975,940. All of the A Shares sold in this offering were offered and sold to accredited investors in a transaction exempt from the registration requirements of the Securities Act, pursuant to Section 4(2) of that Act. No general solicitation was made in connection with the sale of the A Shares. Pursuant to a "most favored nation" provision of the A Shares offering, the holders of the A Shares were entitled to receive the better terms of any offering that was completed subsequent to the closing of the A Shares offering. As a result, the Company has cancelled all 975,940 A Shares which were to be issued and has instead issued 975.94 B Shares to the A Share subscribers. The A Share subscribers also received warrants with the same terms as the B Share subscribers. The conversion to common stock of all the B Shares issued to the A Share subscribers will result in the Company issuing approximately 5,422,000 shares of common stock to the A Share subscribers. Pursuant to a registration rights agreement between the Company and the B Share subscribers, the Company was obligated to register the shares of common stock issuable upon conversion of the B Shares within 45 days of issuance of the B Shares. This registration rights agreement contained a penalty provision that required the Company to issue the number of shares of common stock equal to 2% of the shares of common stock issuable upon conversion of the B Shares for each 30 day period until such shares were registered. When the March Form S-2 was declared effective, the Company was obligated to issue an aggregate of 1,242,698 shares of common stock pursuant to this penalty

provision. Exercise of all the warrants held by the A Share subscribers will result in the issuance of approximately 2,711,000 shares of common stock to the A Share subscribers. The Company recorded approximately $271,000 as beneficial conversion relating to this transaction because the fair market value of the common stock was greater than the conversion price. The March Form S-2, declared effective on March 31, 2004, covered the common shares issuable upon the conversion of the B Shares and warrants held by the A Share subscribers. The Company recorded approximately $60,000 for fees relating to this private placement.

On November 4, 2003, the Company completed an offering of 2,647.78 shares of Series B 10% Cumulative Convertible Preferred Stock (the "B Shares") with gross proceeds to the Company from the sale equaling $2,647,780. All of the B Shares sold in this offering were offered and sold to accredited investors in a transaction exempt from the registration requirements of the Securities Act, pursuant to Section 4(2) of that Act. No general solicitation was made in connection with the sale of the B Shares. The B Shares have a cumulative dividend of 10% per year, which is payable in cash or stock at the time of conversion. Each B Share is convertible into approximately 5,556 shares of the common stock of the Company. The conversion to common stock of all the B Shares sold in the offering will result in the Company issuing approximately 14,710,000 shares of common stock to the B Share subscribers. The B Share subscribers also received warrants to purchase a number of common shares equal to 50% of the common shares such subscriber would receive upon the conversion of their B Shares to common shares. The exercise price of the warrants is $.33 per share of common stock. Exercise of all the warrants held by the B Share subscribers would result in the issuance of approximately 7,355,000 shares of common stock. The Company recorded approximately $736,000 as beneficial conversion relating to this transaction because the fair market value of the common stock was greater than the conversion price. The March Form S-2, declared effective on March 31, 2004, covered the common shares issuable upon the conversion of the B Shares and warrants sold in this offering. However, the Company was not able to get the March Form S-2 declared effective before the passing of certain deadlines and as such the Company is required to pay a penalty equivalent to 6% of the common shares underlying the B Shares sold in this offering. The Company has recorded a charge of approximately $276,000 relating to this penalty (including the penalty relating to the Series A subscribers described above) in March 2004. In addition, the Company incurred approximately $250,000 of dividends to the Series B shareholders. The Company has not issued approximately 393 Series B shares for the penalty and dividend. The Company paid approximately $262,000 in finders' fees relating to this private placement.

In December 2003, the Company issued 5,000,000 shares of common stock to Blue & Gold Enterprises LLC ("Blue & Gold") as consideration for financial consulting services provided by Mr. Steven Antebi pursuant to the Consulting Agreement dated December 2003 between the Company and Mr. Antebi. The shares issued to Mr. Antebi were restricted shares on the date of issuance. The April Form S-2, declared effective on April 29, 2004, registered the shares of common stock issued to Mr. Antebi under his consulting agreement. In connection with this agreement the Company recorded approximately $950,000 as non-cash compensation.

On February 10, 2004, the Company closed an offering of 1,600,000 restricted shares of its common stock and 800,000 warrants to purchase common stock in a private transaction for gross proceeds of $288,000 in cash. The exercise price of the warrants is $.33 per share of common stock and the exercise price is only payable with cash. The March Form S-2, declared effective on March 31, 2004, registered the shares sold in this offering and the common stock issuable upon the exercise of the warrants sold in this offering. The Company paid approximately $28,000 in placement agent fees relating to this private placement.

On February 10, 2004, the Company completed an offering of 1,058 shares of Series B 10% Cumulative Convertible Preferred Stock (the "B Shares") with gross proceeds to the Company from the sales equaling $1,058,000. The B Shares had a purchase price of $1,000.00 per share. The purchase price of the B Shares was paid in cash. The B Shares have a cumulative dividend of 10% per year, which is payable in cash or stock at the time of conversion at the election of the Company. Each B Share is convertible into approximately 5,556 shares of the common stock of the Company. The conversion to common stock of all the B Shares sold in the offering will result in the Company issuing approximately 5,877,800 shares of common stock to the B Share subscribers. The B Share subscribers also received warrants to purchase a number of common shares equal to 50% of the common shares such subscriber would receive upon the conversion of their B Shares to common shares. The exercise price of the warrants is $.33 per share of common stock and the exercise price is only payable with cash. Exercise of all the warrants held by the B Share subscribers would result in the issuance of approximately 2,938,900 shares of common stock. The Company recorded approximately $235,000 as beneficial conversion relating to this transaction because the fair market value of the common stock was greater than the conversion price. On March 22, 2004, the Company filed an Amendment Number 2 to a Registration Statement on Form S-2 originally filed on February 12, 2004 (hereinafter referred to as the "March Form S-2"), which covered the common shares issuable upon the conversion of the all B Shares and warrants sold in this offering. On March 31, 2004, the March Form S-2 was declared effective by the Securities and Exchange Commission File No. 333-112771. The Company paid approximately $106,000 in placement agent fees relating to this private placement.

In March 2004, several holders of the preferred stock of 6043577 Canada, Inc., a wholly-owned subsidiary of the Company established to complete the acquisition of Spider, converted their preferred stock to shares of the Company's common stock. Such conversions resulted in the issuance of 1,073,446 shares of common stock.

In 2004, holders of 1,766.62 shares of the Company's Series B 10% Cumulative Convertible Preferred Stock ("B Shares") converted their B Shares into shares of the Company's common stock. Such conversions resulted in the issuance of 9,814,556 shares of common stock. The 9,814,556 common shares issued on the conversions is derived from the B Shares' $.18 conversion price. In connection with the conversion an additional 330,548 shares were issued as payment of the B Shares 10% cumulative dividend, and 408,982 shares were issued as payment of a 6% penalty for the failure by the Company to cause its March Form S-2 (as defined below) to be declared effective in a timely manner.

On March 12, 2004, the Company approved the issuance of 97,608 shares of common stock to Bradley L. Steere, Esq. as consideration for legal services rendered to the Company in the amount of approximately $18,500.

On March 12, 2004, the Company approved the issuance of 32,639 shares of common stock to Mr. Wesley Ramjeet as consideration for professional accounting services rendered to the Company in the amount of approximately $5,900.

On March 12, 2004, the Company approved the issuance of 555,554 shares of common stock to Mr. Malcolm Coster pursuant to the terms and conditions of his Employment Contract as compensation for services rendered by Mr. Coster to the Company in the amount of approximately $111,000 as its interim Chief Executive Officer.

On March 29, 2004, the Company issued 5,000,000 shares of common stock to Noah Clark as consideration for financial consulting services beginning April 1, 2004, to be provided by Mr. Clark pursuant to the Consulting Agreement dated March 26, 2004 between the Company and Mr. Clark (the "Consulting Agreement"). The Company recognized approximately $950,000 of expense relating to this agreement. The shares issued to Mr. Clark were restricted shares on the date of issuance. On April 26, 2004, the Company filed an Amendment Number 1 to a Registration Statement on Form S-2 originally filed on April 4, 2004 (hereinafter referred to as the "April Form S-2"), which covered the shares of common stock issued to Mr. Clark under his consulting agreement. On April 29, 2004, the April Form S-2 was declared effective by the Securities and Exchange Commission (File No. 333-114296). A copy of the Consulting Agreement is attached hereto as Exhibit 10.15 and the reader is referred to that exhibit for the full text of that agreement.

On April 22, 2004 the Company approved the issuance of 1,498,177 shares of common stock to employees. In connection with this issuance the Company recorded compensation of approximately $195,000.

Warp Technology Holdings, Inc.
Notes to Consolidated Financial Statements (continued)

Note 5. Stockholders' Equity (continued)

Stock Options

In November 2002 the Company's Board of Directors approved and adopted the Warp Technology Holdings, Inc. 2002 Stock Incentive plan (the "2002 Plan") as a means through which the Company and its subsidiaries may attract, retain and compensate employees and consultants. In fiscal 2003, the Board of Directors issued 7,098,000 options to certain employees of the Company under the 2002 Plan. Of those options, 1,833,333 vested on the date of grant and the remainder vest over a two-year period. Such options have a term of ten years and have an exercise price of $.25 per share. For financial statement purposes the Company recorded deferred compensation of $18,996,000, representing the difference between the market price of the Company's stock and $.25 on the date of grant. The amount recognized as expense for the period ending June 30, 2004 and 2003 was $3,562,241 and $7,678,333, respectively.

In fiscal 2003, the Company granted 420,000 options to employees at an exercise price of $.25 per share. Under the terms of employment the Company has agreed to compensate employees holding these options upon exercise, the difference between one dollar and cash realized from the exercise price of $.25 of each option up to one dollar in cash or stock. The total amount is capped at $400,000 and expired in December 2003. As of June 30, 2004 the Company recorded a liability of $200,000.

In fiscal 2003 the Company's Board of Directors granted 1,500,000 options to consultants at an exercise price of $.25 per share. As of June 30, 2004 all 1,500,000 of these options have been vested. Under the terms of employment the Company agreed to compensate certain consultants for 1,450,000 of these options upon exercise the difference between one dollar and cash realized from the exercise of each option up to one dollar in cash or stock. The total amount is capped at $294,000 and expired in December 2003. As of June 30, 2004, the Company recorded a liability of $244,000.

In connection with the acquisition of Spider, in March 2003 the Board of Directors issued 81,652 options to certain employees of Spider under the 2002 Plan in exchange for their existing Spider options.

In May 2003, the Company's Board of Director granted 300,000 options to certain employees under the 2002 Plan. Of these options, 225,000 vested based on the Company meeting certain sales target as of June 30, 2003. The Company recognized $87,250 as expense for the period ending June 30, 2003.

In fiscal 2004, the Board of Directors granted 4,513,000 options to certain employees of the Company under the 2002 Plan. Of those options, 2,256,500 vested on the date of grant and the remainder vest over a two-year period. Such options have a term of ten years and have an exercise price of $.13 per share, the fair market price of the stock on the date of grant.

Detailed information concerning WARP Technology Holding, Inc activity for the 2002 Plan is as follows:

	Weighted-Average	Average Fair Value

	Options	Exercise Price	Of Grants
Options outstanding at June 30, 2002	--	--	--
Options granted	9,399,652	$ 0.25	$ .225
Options cancelled	(1,700,000)	0.25	
Options outstanding at June 30, 2003	7,699,652	$ 0.25	
Options cancelled	(3,179,334)	.23	
Options granted	4,513,000	.13	$ 0.13
Options outstanding at June 30, 2004	9,033,318	$ 0.22	

The following table summarizes information about options outstanding at June 30, 2004.

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted exercise
$0.13	4,273,000	9.8	$0.13	2,444,512	$0.
$0.25	4,760,318	8.0	$0.25	3,562,267	$0.

As of June 30, 2004, there were 966,682 shares available for future grants under the 2002 Plan.

The fair value for options have been estimated on the date of grant using the Black-Scholes option pricing model thereafter, with the following assumptions:

	Year ended June 30, 2004	2003
Expected life	3 years	3 years
Risk-fee interest rate	2.13	1.53 -2.0
Expected volatility	183%	112%
Dividend yield	0%	0%

During 2004, no options were issued or exercised under the Warp Solutions, Inc. 1999 Plan. Additionally, all previously outstanding options were canceled. Therefore, as of June 30, 2004, there are no options outstanding under the Warp Solutions, Inc. 1999 Plan.

Note 5. Stockholders' Equity (continued)

Warrants

During 2000, in conjunction with the sale of its Series B Convertible Preferred Stock to certain investors, WARP issued warrants to purchase 1,063,650 shares of its common stock at an exercise price of $0.905 per share. The warrants expire on the fifth anniversary of issuance. In fiscal 2003 certain holders of these warrants converted 733,410 of these warrants in a cashless exercise for 543,880 shares of the Company's common stock.

On August 1, 2000, WARP issued warrants to purchase 110,509 shares of its common stock to an outside consultant for services rendered. The warrants have an exercise price of $0.905 per share and expire on the fifth anniversary of issuance.

In connection with the February, 2003 private placement the Company issued 420,930 warrants to purchase shares of its common stock at an exercise price of $.10 per share. The warrants expire on the fifth anniversary of issuance. In fiscal 2004, 135,000 of these warrants were exercised, the Company received approximately, $13,500.

In January 2004, the Company issued 1,500,000 warrants to Mr. Ray Musson and Killick & Co. as a settlement for not registering previously sold shares. The warrants have a (5) five-year term, an exercise price of $.36 per share and no cashless exercise provision. The Company recorded as expense $180,000 relating to this warrants issuance. The March Form S-2, declared effective on March 31, 2004, registered the shares of common stock issuable upon the exercise of the warrants issued to Mr. Musson and Killick & Co.

On March 5, 2004, the Company initiated a warrant exchange program (the "Program") applicable to all of the Company's outstanding warrants (collectively the "Original Warrants"). The Program was an opportunity for the Company's warrant holders to choose whether they wanted to keep their Original Warrants or exchange them for new warrants (the "Exchanged Warrants"). The Exchanged Warrants had an exercise price of $0.15 per share, as compared to the Original Warrants, which have exercise prices of $0.36, $0.33, $0.25, or $0.18 per share, and were required to be exercised immediately after their issuance. The Program closed on March 18, 2004, and resulted in the exchange of 4,302,387 Original Warrants for Exchanged Warrants. The immediate exercise of the Exchanged Warrants caused the issuance by the Company of 4,302,387 shares of common stock for gross proceeds to the Company of $645,358. The Company recorded approximately $132,000 as a beneficial conversion dividend relating to this transaction because the fair market value of the common stock was greater than the conversion price.

In April 2004,the Company issued warrants to purchase 860,000 shares of common stock at an exercise price of $0.25 per share to Lighthouse Capital Ltd and warrants to purchase 150,000 shares of common stock at an exercise price of $0.25 to Peter Bailey in payment of services provided by Lighthouse Capital Ltd to the Company under the terms of a consulting agreement. In connection with this issuance the Company recorded an expense of approximately $105,000.

Note 6. SpiderSoftware, Inc. Acquisition

On August 13, 2002 the Company entered into a memorandum of understanding (the "MOU") to enter into a business combination transaction with SpiderSoftware, Inc. ("Spider"), a Canadian corporation. On January 10, 2003 the Company completed the acquisition by issuing one million five hundred thousand shares of preferred stock of 6043577 Canada, Inc., a wholly owned subsidiary of the Company, stock options valued at $178,328 and assumed debt of $335,766 (including advances made by the Company) for all of the outstanding capital shares of Spider. The acquisition was valued at $4,514,621 based upon an independent valuation. The acquisition has been accounted for using the purchase method of accounting, and accordingly the purchase price has been allocated to the assets acquired and the liabilities assumed based on their fair values at the date of acquisition. The primary reason for the acquisition of Spider was access to its technology. The excess of the purchase price over the estimated fair values of net assets acquired has been recorded as goodwill. For financial statement purposes the preferred stock issued by the Company's subsidiary, 6043577 Canada, Inc. is presented in the stockholder's equity.

The purchase price for Spider was allocated as follows:

Working capital, including cash acquired	$ 41,772
Property and equipment	49,555
Intangible assets	530,000
Goodwill	3,893,294
Total purchase price	$4,514,621

Amortization expense relating to intangible assets for the remaining useful lives, is expected as follows:

June 30, 2005	$ 171,667
June 30, 2006	81,250
Total amortization	$ 252,917

Note 7. Note Payable

On June 12, 2003 a shareholder loaned the Company $120,000 on an unsecured basis. The interest rate was 1% per month and was due on June 30, 2003. The Company repaid $75,000 of the loan in September 2003 and the balance was repaid in November 2003.

Note 8. Income Taxes

The Company has a U.S. Federal net operating loss carryforward of approximately

$21,850,000 as of June 30, 2004, which may be used to reduce taxable income in future years through the year 2024. The deferred tax asset primarily resulting from net operating losses was approximately $7,429,000. Due to uncertainty surrounding the realization of the favorable tax attributes in future tax returns, the Company has placed a full valuation allowance against its net deferred tax asset. At such time as it is determined that it is more likely than not that the deferred tax asset is realizable, the valuation allowance will be reduced. Furthermore, the net operating loss carryforward may be subject to further limitation pursuant to Section 382 of the Internal Revenue Code.

Note 9. Commitments and Contingencies

Leases

Rent expense amounted to approximately $201,000 and $125,000 for the year ended June 30, 2004 and 2003, respectively.

Legal Proceedings

Two former consultants to the Company who provided services to the Company's U.K. subsidiary, Warp Solutions, Ltd., have made claims against the Company under U.K. law, contending that they were employees under such laws, were unfairly dismissed, and, therefore, entitled to certain benefits and rights. The total claim is estimated to be approximately $180,000. The Company has received a preliminary judgment from a U.K. Employment Tribunal determining that two former consultants were employees within the (U.K.) Employment Rights Act. The Company has appealed from this determination and intends to contest it vigorously. The Company has accrued $50,000 relating to this claim.

Note 10. Subsequent Events

Series B-2 Preferred Stock Financing.

The Company entered into a Series B-2 Preferred Stock Purchase Agreement (the "Purchase Agreement"), as of August 4, 2004. The Purchase Agreement related to the sale of 1,600 shares (the "Series B-2 Preferred Shares") of the Company's authorized but unissued shares of Preferred Stock, $0.00001 par value per share, designated Series B-2 Preferred Stock (the "Series B-2 Preferred Stock") at a purchase price of $1,000 per share, and warrants, exercisable over five (5) years, to purchase an aggregate of 1,600 shares of Series B-2 Preferred Stock at an exercise price of $1,000 per share (the "Warrants" and together with the shares of Series B-2 Preferred Stock, collectively, the "Securities") to the Investors. The aggregate purchase price for the Securities is $1,600,000, of which $500,000 was received by Warp in an initial closing (which occurred on August 4, 2004) in which 500 shares of Series B-2 Preferred Stock were issued together with Warrants to acquire an additional 500 shares of Series B-2 Preferred Stock. Under the terms of the Purchase Agreement, the remaining $1,100,000 purchase price is to be paid at a closing no later than October 31, 2004 in which 1,100 shares of Series B-2 Preferred Stock were to be issued together with Warrants to acquire an additional 1,100 shares of Series B-2 Preferred Stock. At any time a holder of shares of Series B-2 Preferred Stock may convert such shares into shares of Common Stock. In addition, if, upon the expiration of five (5) years from the date of issuance, there remain any shares of Series B-2 Stock which have not been converted, such shares shall automatically convert into shares of Common Stock. Each share of

Series B-2 Preferred Stock is convertible into 20,000 shares of common stock.

ISIS Capital Management, LLC ("ISIS") and Warp entered into a Consulting Agreement, dated as of August 4,2004, pursuant to which Warp will pay ISIS for services requested of ISIS from time to time, including, without limitation, research services, at ISIS's regular rates or at the cost incurred by ISIS to provide such services, and will reimburse ISIS for any costs incurred by ISIS on behalf of Warp. ISIS is a limited liability company whose managing members are Rodney A. Bienvenu, Jr. ("Bienvenu"), the Company's Chief Executive Officer and Chairman of the Company's Board of Directors, and Ernest C. Mysogland ("Mysogland"), the Executive Vice President and Chief Legal Officer of the Company. ISIS is the managing member of ISIS Acquisition Partners II LLC ("IAP II"). IAP II is a stockholder of the Company having purchased shares of the Company's Series B-2 Preferred Stock.

Employment Contracts

Subsequent to June 30, 2004 the Company entered into employment contracts with following four executive officers: Rodney A. Bienvenu, Jr., its Chairman and Chief Executive Officer; Gus Bottazzi, its President, Principal Financial Officer, and Director; Ernest C. Mysogland, its Executive Vice President, Chief Legal Officer, and Secretary and Michael D. Liss, its Chief Operating Officer. Annual compensation under the employment agreements is $674,000 for the year ended June 30, 2005; $368,000 for the year ended June 30, 2006. In connection with the B-2 Financing, and the employment relationships entered into by the Company and certain members of management, the Company granted options to acquire shares of its Common Stock. The Company also amended its 2002 Employee Stock Plan to increase the total number of shares authorized for issuance under the plan to a total of 77,661,098 shares of Common Stock, and to reserve such shares for issuance under the plan. The options granted by the Company were granted to Bienvenu, Mysogland, Bottazzi and Liss. In addition, ISIS was granted certain non-qualified options to acquire shares of Common Stock. The total number of shares subject to these options is 66,971,236. All such options have an exercise price of $0.0675 per share. The exercise of such options is subject to the achievement of certain vesting and milestone terms (subject in each case to the terms of the optionee's stock option agreement). Any of the above-described options not previously exercisable shall be vested and exercisable on the fifth anniversary of the initial closing of the B-2 Financing.