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REGISTERED NUMBER 3082093 (England and Wales)

**ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2007
FOR
ADVANCED ENGINEERING SOLUTIONS LTD**

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ADVANCED ENGINEERING SOLUTIONS LTD

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FOR THE YEAR ENDED 30 SEPTEMBER 2007**

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ADVANCED ENGINEERING SOLUTIONS LTD

**COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

DIRECTORS:

M Wayman
D Boyes
I Bell
J S Carmichael
R J Treece

SECRETARY:

D Boyes

REGISTERED OFFICE:

South Nelson Road
South Nelson Industrial Estate
Cramlington
Northumberland
NE23 1WF

REGISTERED NUMBER

3082093 (England and Wales)

AUDITORS

Brennan Neil & Leonard
Registered Auditor
Chartered Accountants
32 Brenkley Way
Seaton Burn
Newcastle upon Tyne
NE13 6DS

**REPORT OF THE INDEPENDENT AUDITORS TO
ADVANCED ENGINEERING SOLUTIONS LTD
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts set out on pages three to nine, together with the financial statements of Advanced Engineering Solutions Ltd for the year ended 30 September 2007 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The Special Auditor's Report on Abbreviated Accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions.



Brennan Neil & Leonard
Registered Auditor
Chartered Accountants
32 Brenkley Way
Seaton Burn
Newcastle upon Tyne
NE13 6DS

29 May 2008

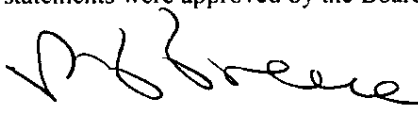
ADVANCED ENGINEERING SOLUTIONS LTD

**ABBREVIATED BALANCE SHEET
30 SEPTEMBER 2007**

		2007		2006 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	2		316,528		190,401
Tangible assets	3		493,293		530,363
Investments	4		25,020		25,020
			<u>834,841</u>		<u>745,784</u>
CURRENT ASSETS					
Stocks		97,836		79,972	
Debtors		399,389		527,184	
Cash at bank and in hand		123,265		47,133	
		<u>620,490</u>		<u>654,289</u>	
CREDITORS					
Amounts falling due within one year	5	273,851		304,156	
NET CURRENT ASSETS			<u>346,639</u>		<u>350,133</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,181,480		1,095,917
CREDITORS					
Amounts falling due after more than one year	5		(116,859)		(123,354)
PROVISIONS FOR LIABILITIES			(18,232)		(20,491)
ACCRUALS AND DEFERRED INCOME			(17,908)		(27,433)
NET ASSETS			<u>1,028,481</u>		<u>924,639</u>
CAPITAL AND RESERVES					
Called up share capital	6		70,052		85,281
Share premium			3,540		3,540
Capital redemption reserve			27,412		12,183
Profit and loss account			927,477		823,635
SHAREHOLDERS' FUNDS			<u>1,028,481</u>		<u>924,639</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements were approved by the Board of Directors on 29 May 2008 and were signed on its behalf by



R J Treece - Director

The notes form part of these abbreviated accounts

ADVANCED ENGINEERING SOLUTIONS LTD

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007)

Changes in accounting policies

During the year, the company changed the accounting policy in respect of costs incurred in the development of software. Previously, where these costs were identified as relating to software required for the operation of plant and equipment manufactured internally, they were included in tangible fixed assets as part of the cost of the equipment. Other software development costs were either included in Deferred Development Expenditure and written off over an expected useful life of three years or, where not specifically identified as an ongoing project, written off to the Profit and Loss Account as incurred.

This policy is no longer deemed appropriate as, when subsequent models are produced requiring the same software for operation, none of the costs of developing the software are allocated against this equipment. Further, the expected useful life of the software is greater than the expected life of the equipment it operates. It has therefore been decided to treat the costs of developing software as Deferred Development Expenditure to be amortised over the expected useful life of the software, commencing in the year after its completion.

As a result, comparative figures for the year ended 30 September 2006 have been restated, as follows:

	Profit for the year £	Net Assets £
As previously reported	97,659	875,303
Reversal of depreciation charged	22,314	22,314
Reversal of amortisation	86	86
Amounts previously written off to Profit & Loss Account	13,882	13,882
	<u>133,941</u>	<u>911,585</u>

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Patents

Patents are capitalised at cost in the year of acquisition. Amortisation is provided to write off the cost of patents over the period for which rights are granted under the patent.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter:

Improvements to property	- 2% on cost
Plant & machinery	- 33 33% on cost and 20% on cost
Fixtures and fittings	- 15% on cost
Computer equipment	- 33 33% on cost

During the year, the company revised the estimated useful life of its Computer Equipment from 5 years to 3 years. This has resulted in an additional charge to depreciation in the period of £20,491 to bring existing assets in line with this policy.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

ADVANCED ENGINEERING SOLUTIONS LTD

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

I ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Expenditure on pure research is written off in the year in which it is incurred. The charge to profit and loss account consists of total research and development expenditure incurred in the year less recoverable costs on contracts and shared engineering programmes.

Development expenditure related to specific projects from which a future commercial benefit can be expected has been deferred and will be released over the expected period of future related revenue.

Development expenditure incurred prior to the production of capital plant and equipment manufactured in-house has been deferred and will be released over the expected life of the assets concerned.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Equipment leased to customers under operating leases is capitalised as Tangible Fixed Assets in the Balance Sheet. Lease income is accounted for in the period to which it relates.

Pension costs and other post-retirement benefits

Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ADVANCED ENGINEERING SOLUTIONS LTD

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

1 ACCOUNTING POLICIES - continued

Government Grants

Grants of a capital nature are credited to a reserve and released to profit over the useful life of the asset concerned. Revenue grants are released to profit when received.

Changes in accounting policy

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-Financial Reporting Standard for Smaller Entities (effective January 2005),

The adoption of the Financial Reporting Standard for Smaller Entities (effective January 2005) in accordance with FRS 25 has resulted in a change in accounting policy in respect of equity dividends. If the company makes payments of dividends to the holders of equity instruments, these are now shown as a movement on reserves as opposed to a deduction from profit on the statutory profit and loss account.

2 INTANGIBLE FIXED ASSETS

	Total £
COST	
At 1 October 2006	429,443
Deferred R&D additions	182,134
	<hr/>
At 30 September 2007	611,577
	<hr/>
AMORTISATION	
At 1 October 2006	239,042
Charge for year	56,007
	<hr/>
At 30 September 2007	295,049
	<hr/>
NET BOOK VALUE	
At 30 September 2007	316,528
	<hr/>
At 30 September 2006	190,401
	<hr/>

ADVANCED ENGINEERING SOLUTIONS LTD

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

3 TANGIBLE FIXED ASSETS

	Total £
COST	
At 1 October 2006	1 026 652
Additions	66,579
Disposals	(119,361)
	<hr/>
At 30 September 2007	973,870
	<hr/>
DEPRECIATION	
At 1 October 2006	496,287
Charge for year	101,294
Eliminated on disposal	(117 004)
	<hr/>
At 30 September 2007	480 577
	<hr/>
NET BOOK VALUE	
At 30 September 2007	493,293
	<hr/>
At 30 September 2006	530 365
	<hr/>

Fixed assets included above held for leasing to customers are as follows

	Plant and Machinery £
COST	
At 1 October 2006	19,230
Additions	25,881
	<hr/>
At 30 September 2007	45,111
	<hr/>
DEPRECIATION	
At 1 October	3,647
Charge for year	5,947
	<hr/>
At 30 September 2007	9 594
	<hr/>
NET BOOK VALUE	
At 30 September 2007	35,517
	<hr/>
At 30 September 2006	15,583
	<hr/>

4 FIXED ASSET INVESTMENTS

	2007 £	2006 as restated £
Participating interests	20	20
Loans to undertakings in which the company has a participating interest	25,000	25,000
	<hr/>	<hr/>
	25,020	25 020
	<hr/>	<hr/>

ADVANCED ENGINEERING SOLUTIONS LTD

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

4 FIXED ASSET INVESTMENTS - continued

Additional information is as follows

	Interest in joint venture £
COST	
At 1 October 2006	
and 30 September 2007	20
	<u> </u>
NET BOOK VALUE	
At 30 September 2007	20
	<u> </u>
At 30 September 2006	20
	<u> </u>

The company's investments at the balance sheet date in the share capital of companies include the following

Joint Venture

Asset Integrity Australasia PTY Ltd

Country of incorporation Australia

Nature of business Technology based consultancy

	%
Class of shares	holding
Ordinary	47 00

	31 12 06	30 6 06
	£	£
Aggregate capital and reserves	(48 369)	40
Loss for the year/period	(48,412)	-
	<u> </u>	<u> </u>

Asset Integrity Australasia Pty Ltd was incorporated on 9 November 2005 and does not yet require statutory accounts to be prepared

	Loans to joint ventures £
At 1 October 2006	
and 30 September 2007	25,000
	<u> </u>

5 CREDITORS

The following secured debts are included within creditors

	2007	2006 as restated
	£	£
Bank loans	120,986	127,638
	<u> </u>	<u> </u>

ADVANCED ENGINEERING SOLUTIONS LTD

**NOTES TO THE ABBREVIATED ACCOUNTS - continued
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

5 CREDITORS - continued

Creditors include the following debts falling due in more than five years

	2007	2006 as restated
	£	£
Repayable by instalments		
Bank loan > 5 years	<u>68,560</u>	<u>79,221</u>

6 CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal value	2007	2006 as restated
			£	£
240,000	Ordinary	£1	<u>240,000</u>	<u>240,000</u>
Allotted, issued and fully paid Number	Class	Nominal value	2007	2006 as restated
			£	£
85,281	Ordinary	£1	<u>70,052</u>	<u>85,281</u>

During the year, the company acquired 15,229 ordinary shares of £1 from former director, Mr D T Dickson for a total consideration of £116,639