

COMPANY REGISTRATION NUMBER 04267316

ADVANCE INTEGRATED SYSTEMS PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007

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COMPANIES HOUSE

GIBSON BOOTH
Chartered Accountants & Registered Auditors
New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

ADVANCE INTEGRATED SYSTEMS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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ADVANCE INTEGRATED SYSTEMS PLC

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

Mr A A N Inkster
Mrs S Inkster
Mr S B McCay
Mr A Russell

COMPANY SECRETARY

Mrs S Inkster

REGISTERED OFFICE

Bridge Works
47A Colne Road
Huddersfield
HD1 3AY

AUDITOR

Gibson Booth
Chartered Accountants
& Registered Auditors
New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

BANKERS

HSBC Plc
2 Market Street
Bury
Lancashire
BL9 0AN

SOLICITORS

Elmhirst Solicitors LLP
13 Finkle Street
Selby
YO8 0DT

ADVANCE INTEGRATED SYSTEMS PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements of the group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the supply of fire and security equipment. On 27 April 2007 the company re-registered as a public limited company and changed its name from Advance Integrated Systems Limited to Advance Integrated Systems plc.

During the year the company suffered delays in contract take up, acquired two new businesses and restructured its operations. The company also incurred a significant loss of £238,979 on one contract which was not envisaged.

As a result of all this the company incurred a substantial loss for the year.

The unaudited management accounts for the nine months ended 30 September 2008 indicate that the company has returned to profitability as a result of increased contract take up.

The company is currently seeking new funding in order to provide additional working capital to fund its increased level of activities.

RESULTS AND DIVIDENDS

The loss for the year amounted to £696,539. The directors have not recommended a dividend.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors do not operate any policies with regard to the hedging of transactions as such techniques are felt inappropriate to the company's business structure.

As the company is currently experiencing rapid expansion it recognises its exposure to both liquidity and cash flow issues and as such has taken steps to reduce the risk by obtaining the services of a debt factoring organisation. The directors do not feel that the company is in any material way exposed to price risk issues.

DIRECTORS

The directors who served the company during the year were as follows:

Mr A A N Inkster
Mrs S Inkster
Mr S B McCay
Mr A Russell

(Appointed 23 May 2007)

Mr S A Earing was appointed as a director on 4 February 2008.

Mr N Hughes was appointed as a director on 4 February 2008.

Mr A Russell resigned as a director on 12 August 2008.

POLICY ON THE PAYMENT OF CREDITORS

The company's current policy concerning the payment of trade creditors is to agree terms and conditions for its transactions with suppliers and to abide by those terms, subject to those terms and conditions being met by the supplier. At 31 December 2007 trade creditors of the company represented 112 days of purchases.

AUDITOR

A resolution to re-appoint Gibson Booth as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Bridge Works
47A Colne Road
Huddersfield
HD1 3AY

Signed on behalf of the directors



MR A A N INKSTER
Director

Approved by the directors on 14/01/2009

ADVANCE INTEGRATED SYSTEMS PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 2007

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

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

ADVANCE INTEGRATED SYSTEMS PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCE INTEGRATED SYSTEMS PLC

YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Advance Integrated Systems plc for the year ended 31 December 2007 on pages 6 to 22 which have been prepared on the basis of the accounting policies set out on pages 10 to 11.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

ADVANCE INTEGRATED SYSTEMS PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADVANCE INTEGRATED SYSTEMS PLC *(continued)*

YEAR ENDED 31 DECEMBER 2007

OPINION

In our opinion:

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the loss of the group for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985; and

the information given in the Directors' Report is consistent with the financial statements for the year ended 31 December 2007.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £696,539 during the year ended 31 December 2007 and, at that date, the group's current liabilities exceeded its total assets by £136,513. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

New Court
Abbey Road North
Shepley
Huddersfield
HD8 8BJ

14.1.09

Gibson Booth

GIBSON BOOTH
Chartered Accountants
& Registered Auditors

ADVANCE INTEGRATED SYSTEMS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Note	Year to 31 Dec 07 £	£	Period from 1 Apr 06 to 31 Dec 06 £	£
TURNOVER					
Continuing operations		1,243,352		1,723,990	
Acquisitions		326,957		—	
		<u>1,570,309</u>		<u>1,723,990</u>	
Group Turnover			1,570,309		1,723,990
Cost of sales	2		(1,086,629)		(1,076,570)
GROSS PROFIT			483,680		647,420
Net operating expenses	2		(1,154,681)		(517,827)
OPERATING (LOSS)/PROFIT:	3				
Continuing operations		(678,078)		129,593	
Acquisitions		7,077		—	
GROUP OPERATING (LOSS)/PROFIT			(671,001)		129,593
Interest receivable			96		91
Interest payable and similar charges	6		(51,669)		(847)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(722,574)		128,837
Tax on (loss)/profit on ordinary activities	7		26,035		(26,529)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		8	<u>(696,539)</u>		<u>102,308</u>

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The notes on pages 10 to 22 form part of these financial statements.

ADVANCE INTEGRATED SYSTEMS PLC

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2007

	Note	2007 £	£	2006 £	£
FIXED ASSETS					
Intangible assets	9		182,563		—
Tangible assets	10		61,242		37,055
			<u>243,805</u>		<u>37,055</u>
CURRENT ASSETS					
Stocks	12	149,773		158,301	
Debtors	13	910,196		1,305,291	
		<u>1,059,969</u>		<u>1,463,592</u>	
CREDITORS: Amounts falling due within one year	14	<u>1,440,287</u>		<u>1,232,297</u>	
NET CURRENT (LIABILITIES)/ASSETS			(380,318)		231,295
TOTAL ASSETS LESS CURRENT LIABILITIES			(136,513)		268,350
CREDITORS: Amounts falling due after more than one year	15		277,778		—
			<u>(414,291)</u>		<u>268,350</u>
PROVISIONS FOR LIABILITIES					
Deferred taxation	16		—		2,769
			<u>(414,291)</u>		<u>265,581</u>
CAPITAL AND RESERVES					
Called-up equity share capital	21		66,667		50,000
Profit and loss account	22		(480,958)		215,581
(DEFICIT)/SHAREHOLDERS' FUNDS	23		<u>(414,291)</u>		<u>265,581</u>

These financial statements were approved by the directors and authorised for issue on 14/01/09, and are signed on their behalf by:

.....
MR A A N INKSTER

The notes on pages 10 to 22 form part of these financial statements.

ADVANCE INTEGRATED SYSTEMS PLC

COMPANY BALANCE SHEET

31 DECEMBER 2007

	Note	2007 £	£	2006 £	£
FIXED ASSETS					
Intangible assets	9		150,656		—
Tangible assets	10		57,827		37,055
Investments	11		1,000		—
			<u>209,483</u>		<u>37,055</u>
CURRENT ASSETS					
Stocks	12	137,773		158,301	
Debtors	13	808,780		1,305,291	
		<u>946,553</u>		<u>1,463,592</u>	
CREDITORS: Amounts falling due within one year	14	<u>1,297,318</u>		<u>1,232,297</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(350,765)</u>		<u>231,295</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(141,282)</u>		<u>268,350</u>
CREDITORS: Amounts falling due after more than one year	15		<u>277,778</u>		<u>—</u>
			<u>(419,060)</u>		<u>268,350</u>
PROVISIONS FOR LIABILITIES					
Deferred taxation	16		<u>—</u>		<u>2,769</u>
			<u>(419,060)</u>		<u>265,581</u>
CAPITAL AND RESERVES					
Called-up equity share capital	21		66,667		50,000
Profit and loss account	22		<u>(485,727)</u>		<u>215,581</u>
(DEFICIT)/SHAREHOLDERS' FUNDS			<u>(419,060)</u>		<u>265,581</u>

These financial statements were approved by the directors and authorised for issue on 14/01/09, and are signed on their behalf by:


MR A A N INKSTER

The notes on pages 10 to 22 form part of these financial statements.

ADVANCE INTEGRATED SYSTEMS PLC
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2007

	Note	Year to 31 Dec 07 £	£	Period from 1 Apr 06 to 31 Dec 06 £	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	24		(129,320)		43,739
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		96		91	
Interest paid		(51,669)		(321)	
Interest element of hire purchase and finance lease		—		(526)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(51,573)		(756)
TAXATION			(21,432)		(9,699)
CAPITAL EXPENDITURE					
Payments to acquire intangible fixed assets		(192,611)		—	
Payments to acquire tangible fixed assets		(40,469)		(23,680)	
Receipts from sale of fixed assets		—		6,788	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(233,080)		(16,892)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING			(435,405)		16,392
FINANCING					
Issue of equity share capital		16,667		49,000	
New debenture loans		333,333		—	
Capital element of hire purchase and finance lease		—		(11,136)	
NET CASH INFLOW FROM FINANCING			350,000		37,864
(DECREASE)/INCREASE IN CASH	25		(85,405)		54,256

The notes on pages 10 to 22 form part of these financial statements.

ADVANCE INTEGRATED SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is currently seeking additional working capital finance. The directors are confident that the results since the year end and the financial forecasts show that the company will be able to continue trading for the foreseeable future providing this additional working capital finance is obtained. The financial statements have therefore been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. Acquisitions are accounted for under the acquisition method. The results of companies acquired are included in the consolidated profit and loss account after the date that control passes. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

In relation to contracts undertaken by the company which have an expected duration of over one year or where activity falls into two separate accounting periods, turnover is calculated on each individual contract based on the percentage completion of the contract at the year end. Attributable profit is also taken based on the percentage completion of individual contracts except for loss making contracts where the full loss is taken as soon as it is foreseen.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	10% straight line
Development costs	-	20% to 50% straight line

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	over remaining life of the lease
Plant & equipment	-	25% reducing balance
Fixtures & fittings	-	25% reducing balance
Motor vehicles	-	25% reducing balance

Stocks

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

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

ADVANCE INTEGRATED SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1. ACCOUNTING POLICIES *(continued)*

Pension costs

Pension scheme contributions represent payments to personal pension schemes and are charged to the profit and loss account as they become payable.

Deferred taxation

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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing operations £	Acquired operations £	Total £
YEAR ENDED 31 DECEMBER 2007			
Cost of sales	<u>838,476</u>	<u>248,153</u>	<u>1,086,629</u>
Administrative expenses	<u>1,082,954</u>	<u>71,727</u>	<u>1,154,681</u>
Net operating expenses	<u>1,082,954</u>	<u>71,727</u>	<u>1,154,681</u>

ADVANCE INTEGRATED SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

2. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES (continued)

	Continuing operations £	Acquired operations £	Total £
PERIOD FROM 1 APRIL 2006 TO 31 DECEMBER 2006			
Cost of sales	<u>1,076,570</u>	<u>-</u>	<u>1,076,570</u>
Administrative expenses	<u>517,827</u>	<u>-</u>	<u>517,827</u>
Net operating expenses	<u>517,827</u>	<u>-</u>	<u>517,827</u>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

	Year to 31 Dec 07 £	Period from 1 Apr 06 to 31 Dec 06 £
Amortisation	10,048	-
Depreciation	15,984	7,943
Loss on disposal of fixed assets	298	10,239
Auditors' remuneration		
- as auditors	10,000	4,250
- as auditors of subsidiary	1,750	-
- taxation	-	945
- accountancy	7,440	7,500
- corporate finance	25,500	-
Operating lease costs:		
- land and buildings	17,071	7,846
- vehicles	24,478	16,123
Provision for exceptional doubtful debts	238,979	-
Exceptional costs of raising finance	<u>33,717</u>	<u>-</u>

The provision for exceptional doubtful debts of £238,979 relates to an amount receivable written off on a contract. In order to avoid litigation the company has come to an agreement with this customer that it will undertake substantial works on its behalf amounting to approximately £1m over the next twelve months in order to compensate it for income not received.

ADVANCE INTEGRATED SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	Year to 31 Dec 07	Period from 1 Apr 06 to 31 Dec 06
	No	No
Production	17	9
Administration	2	1
Management	4	3
	<u>23</u>	<u>13</u>

The aggregate payroll costs of the above were:

	Year to 31 Dec 07	Period from 1 Apr 06 to 31 Dec 06
	£	£
Wages and salaries	625,741	267,720
Social security costs	60,326	27,637
Other pension costs	30,096	7,611
	<u>716,163</u>	<u>302,968</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	Year to 31 Dec 07	Period from 1 Apr 06 to 31 Dec 06
	£	£
Emoluments receivable	169,164	117,016
Pension contributions to money purchase schemes	30,096	7,611
	<u>199,260</u>	<u>124,627</u>

There are three directors (2006 - three) accruing benefits under money purchase pension schemes.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 Dec 07	Period from 1 Apr 06 to 31 Dec 06
	£	£
Interest payable on bank borrowing	4,932	321
Finance charges	—	526
Other similar charges payable	46,737	—
	<u>51,669</u>	<u>847</u>

ADVANCE INTEGRATED SYSTEMS PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

7. TAX ON LOSS OR PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	Year to 31 Dec 07 £	£	Period from 1 Apr 06 to 31 Dec 06 £	£
In respect of the year:				
UK Corporation tax based on the results for the year at 19.75% (2006 - 19%)		(24,272)		23,573
Under provision in prior year		1,006		187
Total current tax		(23,266)		23,760
(Decrease)/Increase in deferred tax provision				
Capital allowances	1,713		2,769	
Losses	(4,482)		-	
Total deferred tax (note 16)		(2,769)		2,769
Tax on loss or profit on ordinary activities		(26,035)		26,529

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19.75% (2006 - 19%).

	Year to 31 Dec 07 £	Period from 1 Apr 06 to 31 Dec 06 £
(Loss)/profit on ordinary activities before taxation	(722,574)	128,737
(Loss)/profit on ordinary activities by rate of tax	(142,696)	24,460
Items disallowable for tax purposes	6,419	817
Capital allowances in excess of depreciation	(1,743)	(1,704)
Under provision in prior year	1,006	187
Losses carried forward	113,748	-
Total current tax (note 7(a))	(23,266)	23,760

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £(701,308) (2006 - £102,208).

ADVANCE INTEGRATED SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

9. INTANGIBLE FIXED ASSETS

Group	Goodwill £	Development Costs £	Total £
COST			
Additions	120,011	72,600	192,611
At 31 December 2007	<u>120,011</u>	<u>72,600</u>	<u>192,611</u>
AMORTISATION			
Charge for the year	2,648	7,400	10,048
At 31 December 2007	<u>2,648</u>	<u>7,400</u>	<u>10,048</u>
NET BOOK VALUE			
At 31 December 2007	<u>117,363</u>	<u>65,200</u>	<u>182,563</u>
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>
Company	Goodwill £	Development Costs £	Total £
COST			
Additions	85,903	72,600	158,503
At 31 December 2007	<u>85,903</u>	<u>72,600</u>	<u>158,503</u>
AMORTISATION			
Charge for the year	447	7,400	7,847
At 31 December 2007	<u>447</u>	<u>7,400</u>	<u>7,847</u>
NET BOOK VALUE			
At 31 December 2007	<u>85,456</u>	<u>65,200</u>	<u>150,656</u>
At 31 December 2006	<u>-</u>	<u>-</u>	<u>-</u>

Goodwill arose from two acquisitions in the year.

On 15 May 2007 a subsidiary undertaking, Helmbalm Limited, acquired assets with a fair value of £66,454 from Armatan Ventura Limited (formerly Helmbalm Limited) for the consideration of £85,456. Goodwill of £34,108 arose which includes acquisition costs of £15,106.

On 12 December 2007 the company acquired assets with a fair value of £19,997 from Hills Electrical & Mechanical plc for the consideration of £90,000. Goodwill of £85,903 arose which includes acquisition costs of £15,900.

In both cases goodwill is being amortised over a period of ten years as the directors expect this to be the period over which the company will benefit from the goodwill.

ADVANCE INTEGRATED SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

10. TANGIBLE FIXED ASSETS

Group	Leasehold Improvements £	Plant & Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
At 1 January 2007	3,760	24,965	13,931	9,391	52,047
Additions	6,679	19,437	10,853	3,500	40,469
Disposals	(3,760)	—	—	—	(3,760)
At 31 December 2007	<u>6,679</u>	<u>44,402</u>	<u>24,784</u>	<u>12,891</u>	<u>88,756</u>
DEPRECIATION					
At 1 January 2007	3,462	5,237	4,461	1,832	14,992
Charge for the year	1,419	8,258	3,854	2,453	15,984
On disposals	(3,462)	—	—	—	(3,462)
At 31 December 2007	<u>1,419</u>	<u>13,495</u>	<u>8,315</u>	<u>4,285</u>	<u>27,514</u>
NET BOOK VALUE					
At 31 December 2007	<u>5,260</u>	<u>30,907</u>	<u>16,469</u>	<u>8,606</u>	<u>61,242</u>
At 31 December 2006	<u>298</u>	<u>19,728</u>	<u>9,470</u>	<u>7,559</u>	<u>37,055</u>
Company	Leasehold Improvements £	Plant & Equipment £	Fixtures & Fittings £	Motor Vehicles £	Total £
COST					
At 1 January 2007	3,760	24,965	13,931	9,391	52,047
Additions	6,679	18,875	10,853	—	36,407
Disposals	(3,760)	—	—	—	(3,760)
At 31 December 2007	<u>6,679</u>	<u>43,840</u>	<u>24,784</u>	<u>9,391</u>	<u>84,694</u>
DEPRECIATION					
At 1 January 2007	3,462	5,237	4,461	1,832	14,992
Charge for the year	1,419	8,175	3,854	1,889	15,337
On disposals	(3,462)	—	—	—	(3,462)
At 31 December 2007	<u>1,419</u>	<u>13,412</u>	<u>8,315</u>	<u>3,721</u>	<u>26,867</u>
NET BOOK VALUE					
At 31 December 2007	<u>5,260</u>	<u>30,428</u>	<u>16,469</u>	<u>5,670</u>	<u>57,827</u>
At 31 December 2006	<u>298</u>	<u>19,728</u>	<u>9,470</u>	<u>7,559</u>	<u>37,055</u>

11. INVESTMENTS

Company	Group companies £
COST	
Additions	1,000
At 31 December 2007	<u>1,000</u>
NET BOOK VALUE	
At 31 December 2007	<u>1,000</u>
At 31 December 2006	<u>—</u>

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The company purchased 100% of the issued share capital of Helmbalm Limited at par on 14 February 2007.

The principal activity of Helmbalm Limited is electrical contracting.

12. STOCKS

	Group 2007	2006	Company 2007	2006
	£	£	£	£
Raw materials	149,773	137,572	137,773	137,572
Work in progress	–	20,729	–	20,729
	<u>149,773</u>	<u>158,301</u>	<u>137,773</u>	<u>158,301</u>

13. DEBTORS

	Group 2007	2006	Company 2007	2006
	£	£	£	£
Trade debtors	366,877	536,633	288,345	536,633
Amounts recoverable on contracts	507,303	763,961	493,493	763,961
Other debtors	1,016	3,179	1,016	3,179
Prepayments and accrued income	35,000	1,518	25,926	1,518
	<u>910,196</u>	<u>1,305,291</u>	<u>808,780</u>	<u>1,305,291</u>

All debtors are repayable within one year of the balance sheet date.

At the period end the amount of factored debts outstanding was £326,357 (2006 - £529,508).

14. CREDITORS: Amounts falling due within one year

	Group 2007	2006	Company 2007	2006
	£	£	£	£
Factoring advance	231,064	225,111	191,290	225,111
Debenture loans	55,555	–	55,555	–
Bank overdrafts	113,151	27,746	97,747	27,746
Trade creditors	605,509	719,910	589,950	719,910
Amounts owed to group undertakings	–	–	2,689	–
Directors' loan accounts	57,185	46,829	57,185	46,829
Corporation tax	–	44,698	–	44,698
PAYE and social security	201,403	92,194	177,339	92,194
VAT	98,126	61,577	53,270	61,577
Other creditors	–	1,857	–	1,857
Accruals and deferred income	78,294	12,375	72,293	12,375
	<u>1,440,287</u>	<u>1,232,297</u>	<u>1,297,318</u>	<u>1,232,297</u>

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14. CREDITORS: Amounts falling due within one year (continued)

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group 2007 £	2006 £	Company 2007 £	2006 £
Debenture loans	55,555	–	55,555	–
Bank overdrafts	113,151	–	97,747	–
Factoring advance	231,064	225,111	191,290	225,111
	<u>399,770</u>	<u>225,111</u>	<u>344,592</u>	<u>225,111</u>

Factoring advances of are secured on the outstanding factored debts.

The bank overdraft facility and the debenture loan are both secured by a fixed and floating charge over all the assets of the group with the security on the bank overdraft facility ranking ahead of the security for the debenture loan.

The debenture loan attracts interest at 10% and is repayable by monthly instalments over a period of five years with an initial 12 month capital repayment holiday.

15. CREDITORS: Amounts falling due after more than one year

	Group 2007 £	2006 £	Company 2007 £	2006 £
Debenture loans	<u>277,778</u>	<u>–</u>	<u>277,778</u>	<u>–</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	Group 2007 £	2006 £	Company 2007 £	2006 £
Debenture loans	<u>277,778</u>	<u>–</u>	<u>277,778</u>	<u>–</u>

16. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group Year to 31 Dec 07 £	Period from 1 Apr 06 to 31 Dec 06 £	Company Year to 31 Dec 07 £	Period from 1 Apr 06 to 31 Dec 06 £
Provision brought forward	2,769	–	2,769	–
(Decrease)/Increase in provision	<u>(2,769)</u>	<u>2,769</u>	<u>(2,769)</u>	<u>2,769</u>
Provision carried forward	<u>–</u>	<u>2,769</u>	<u>–</u>	<u>2,769</u>

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16. DEFERRED TAXATION (continued)

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2007		2006	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	4,482	-	2,769	-
Tax losses available	(4,482)	-	-	-
	<u>-</u>	<u>-</u>	<u>2,769</u>	<u>-</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2007		2006	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	4,482	-	2,769	-
Tax losses available	(4,482)	-	-	-
	<u>-</u>	<u>-</u>	<u>2,769</u>	<u>-</u>

17. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2007		2006	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	9,230	-	-
Within 2 to 5 years	41,688	17,850	20,845	17,703
	<u>41,688</u>	<u>27,080</u>	<u>20,845</u>	<u>17,703</u>

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below.

Company	2007		2006	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 1 year	-	9,230	-	-
Within 2 to 5 years	41,688	17,850	20,845	17,703
	<u>41,688</u>	<u>27,080</u>	<u>20,845</u>	<u>17,703</u>

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18. CONTINGENCIES

The company and its subsidiary, Helmbalm Limited, have given their bankers a multilateral guarantee which is secured by a fixed and floating charge over all present and future assets and undertakings of the companies. At the year end the maximum liability under this guarantee was £14,938 (2006 - £nil).

19. TRANSACTIONS WITH THE DIRECTORS

During the year Mr S B McCay had an overdrawn director's loan account. The maximum overdrawn balance on this loan was £1,417. The loan was fully repaid prior to the year end and was unsecured, interest free and repayable on demand.

Mr A A N Inkster and Mr S B McCay have provided the company's bankers with a combined personal guarantee of £100,000.

20. RELATED PARTY TRANSACTIONS

The company was under the control of Mr A A N Inkster throughout the year.

The company has taken advantage of the exemption under Financial Reporting Standard 8: Related Party Disclosures from disclosing transactions with other group companies.

21. SHARE CAPITAL

Authorised share capital:

	2007	2006
	£	£
50,000 Ordinary shares of £1 each	50,000	50,000
16,667 Preferred ordinary shares of £1 each	16,667	-
	<u>66,667</u>	<u>50,000</u>

Allotted, called up and fully paid:

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000
Preferred ordinary shares of £1 each	16,667	16,667	-	-
	<u>66,667</u>	<u>66,667</u>	<u>50,000</u>	<u>50,000</u>

During the period 16,667 £1 preferred ordinary shares were issued at par for cash consideration.

The preferred ordinary shares are convertible at par into £1 ordinary shares at the option of the shareholder.

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22. RESERVES

Group	Profit and loss account
	£
Balance brought forward	215,581
Loss for the year	(696,539)
Balance carried forward	<u>(480,958)</u>
Company	Profit and loss account
	£
Balance brought forward	215,581
Loss for the year	(701,308)
Balance carried forward	<u>(485,727)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
(Loss)/Profit for the financial year	(696,539)	102,208
New ordinary share capital subscribed	16,667	49,000
Net (reduction)/addition to shareholders' funds	<u>(679,872)</u>	<u>151,208</u>
Opening shareholders' funds	265,581	114,373
Closing shareholders' (deficit)/funds	<u>(414,291)</u>	<u>265,581</u>

24. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	Year to	Period from
	31 Dec 07	1 Apr 06 to
	£	31 Dec 06
	£	£
Operating (loss)/profit	(671,001)	129,493
Amortisation	10,048	-
Depreciation	15,984	7,943
Loss on disposal of fixed assets	298	10,239
Decrease/(increase) in stocks	8,528	(72,811)
Decrease/(increase) in debtors	395,095	(419,375)
Increase in creditors	111,728	388,250
Net cash (outflow)/inflow from operating activities	<u>(129,320)</u>	<u>43,739</u>

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25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007		2006	
	£	£	£	£
(Decrease)/increase in cash in the period	(85,405)		54,256	
Net cash (inflow) from debenture loans	(333,333)		—	
Cash outflow in respect of hire purchase and finance lease	—		11,136	
		(418,738)		65,392
Change in net debt		(418,738)		65,392
Net debt at 1 January 2007		(27,746)		(93,138)
Net debt at 31 December 2007		(446,484)		(27,746)

26. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash:			
Overdrafts	(27,746)	(85,405)	(113,151)
Debt:			
Debt due within 1 year	—	(55,555)	(55,555)
Debt due after 1 year	—	(277,778)	(277,778)
	—	(333,333)	(333,333)
Net debt	(27,746)	(418,738)	(446,484)