

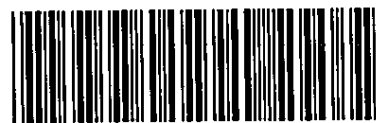
Registered number 2413577

## REACTION ENGINES LIMITED

### ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

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**REACTION ENGINES LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO REACTION ENGINES LIMITED  
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

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We have examined the abbreviated accounts of Reaction Engines Limited for the year ended 31 March 2007 set out on pages 3 to 5, together with the financial statements of the company for the year ended 31 March 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 Auditors' 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 section 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 3 to 5 have been properly prepared in accordance with those provisions.



**WELLERS**  
Registered Auditors  
Kineton House  
31 Horse Fair  
Banbury  
OX16 0AE

28 January 2008

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**REACTION ENGINES LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2007**

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	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>LOSS FOR THE FINANCIAL YEAR</b>	<b>(617,014)</b>	<b>(378,273)</b>
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>	<b>(617,014)</b>	<b>(378,273)</b>

The notes on pages 4 to 5 form part of these financial statements

**REACTION ENGINES LIMITED**

**ABBREVIATED BALANCE SHEET  
AS AT 31 MARCH 2007**

	Note	2007 £	2006 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	2	64,465	102,251
<b>CURRENT ASSETS</b>			
Debtors		123,279	80,850
Cash at bank		146,831	158,064
		<u>270,110</u>	<u>238,914</u>
<b>CREDITORS:</b> amounts falling due within one year		<u>(56,812)</u>	<u>(54,172)</u>
<b>NET CURRENT ASSETS</b>		<u>213,298</u>	<u>184,742</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>277,763</u>	<u>286,993</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	3	14,717	11,854
Share premium account		1,914,437	1,309,516
Profit and loss account		<u>(1,651,391)</u>	<u>(1,034,377)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>277,763</u>	<u>286,993</u>

The abbreviated accounts, which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies, were approved and authorised for issue by the board and were signed on its behalf on 28 January 2008

*Alan Bond*

**A Bond**  
Director

The notes on pages 4 to 5 form part of these financial statements

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## REACTION ENGINES LIMITED

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### NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The full financial statements, from which these abbreviated accounts have been extracted, have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005)

##### 1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

##### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant and equipment	-	15%	reducing balance
Motor vehicles	-	25%	reducing balance
Fixtures and fittings	-	25%	reducing balance
Other fixed assets	-	33%	reducing balance

##### 1.4 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

##### 1.5 Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the Profit and loss account

##### 1.6 Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the Profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the Profit and loss account as the related expenditure is incurred

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**REACTION ENGINES LIMITED**

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**NOTES TO THE ABBREVIATED ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2007**

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**2 TANGIBLE FIXED ASSETS**

	£
<b>Cost</b>	
At 1 April 2006	193,554
Additions	3,403
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At 31 March 2007	196,957
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<b>Depreciation</b>	
At 1 April 2006	91,303
Charge for the year	41,189
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At 31 March 2007	132,492
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<b>Net book value</b>	
At 31 March 2007	64,465
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At 31 March 2006	102,251
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**3. SHARE CAPITAL**

	2007 £	2006 £
<b>Authorised</b>		
5,000,000 Ordinary shares of 1p each	50,000	50,000
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<b>Allotted, called up and fully paid</b>		
1,471,748 (2006 - 1,185,400) Ordinary shares of 1p each	14,717	11,854
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During the year, 286,310 (2006 - 205,015) ordinary shares of 1p each were issued, fully paid for cash consideration of £607,785 (2006 - £563,793) No issue costs were incurred