

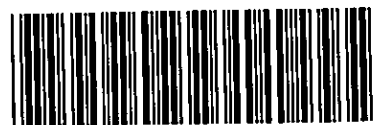
REACTION ENGINES LIMITED

AUDITED

ABBREVIATED ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 2012

THURSDAY



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A05

26/09/2013

#470

COMPANIES HOUSE

REACTION ENGINES LIMITED

**INDEPENDENT AUDITORS' REPORT TO REACTION ENGINES LIMITED
UNDER SECTION 449 OF THE COMPANIES ACT 2006**

We have examined the abbreviated accounts set out on pages 2 to 8, together with the financial statements of Reaction Engines Limited for the period ended 31 December 2012 prepared under section 396 of the Companies Act 2006

This report is made solely to the company in accordance with section 449 of the Companies Act 2006. 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.

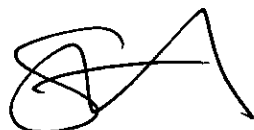
RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with section 444 of the Companies Act 2006. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with the regulations made under that section and to report our opinion to you.

We conducted our work in accordance with Bulletin 2008/4 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 are properly prepared.

OPINION ON FINANCIAL STATEMENTS

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 444(3) of the Companies Act 2006, and the abbreviated accounts on pages 2 to 8 have been properly prepared in accordance with the regulations made under that section.



Stuart Peter Crook (Senior statutory auditor)
for and on behalf of

Wellers

Accountants and Statutory Auditors
73 Southern Road

Thame

Oxon

OX9 2ED

Date

25/09/2013

REACTION ENGINES LIMITED
REGISTERED NUMBER: 02413577

ABBREVIATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	31 December 2012		2 April 2012	
		£	£	£	£
FIXED ASSETS					
Intangible assets	2		15,834		22,032
Tangible fixed assets	3		468,286		490,164
Investments	4		95,774		95,774
			<u>579,894</u>		<u>607,970</u>
CURRENT ASSETS					
Stocks		6,000		6,000	
Debtors amounts falling due after more than one year		970,308		606,396	
Debtors amounts falling due within one year		2,163,778		700,258	
Cash at bank and in hand		608,038		2,031,672	
		<u>3,748,124</u>		<u>3,344,326</u>	
CREDITORS amounts falling due within one year		<u>(907,834)</u>		<u>(694,593)</u>	
NET CURRENT ASSETS			<u>2,840,290</u>		<u>2,649,733</u>
NET ASSETS			<u><u>3,420,184</u></u>		<u><u>3,257,703</u></u>
CAPITAL AND RESERVES					
Called up share capital	5		30,603		27,805
Share premium account			16,485,288		14,182,656
Profit and loss account			<u>(13,095,707)</u>		<u>(10,952,758)</u>
SHAREHOLDERS' FUNDS			<u><u>3,420,184</u></u>		<u><u>3,257,703</u></u>

REACTION ENGINES LIMITED

ABBREVIATED BALANCE SHEET (continued)
AS AT 31 DECEMBER 2012

The abbreviated accounts, which have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, were approved and authorised for issue by the board and were signed on its behalf by

Alan Bond

A Bond
Director

Date *25 September 2013*

The notes on pages 4 to 8 form part of these financial statements

REACTION ENGINES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

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 April 2008)

The company is the parent undertaking of a small group and as such is not required by the Companies Act 2006 to prepare group accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts. Turnover also includes grant income from the European Space Agency.

1.3 Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the continuing support from government grants and new investors and the ability to have sufficient working capital in the foreseeable future.

The directors have concluded that an uncertainty exists that casts a degree of doubt upon the company's ability to continue as a going concern. However, given the continuing efforts to secure new funding and grants, the directors continue to adopt the going concern basis of accounting.

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Amortisation is provided at the following rates:

Goodwill	- 20% straight line
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1.5 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
Test site equipment	- 33% reducing balance

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

REACTION ENGINES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.9 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

1.10 Research and development

Research and development expenditure is written off in the year in which it is incurred

1.11 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

1.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period

REACTION ENGINES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

2. INTANGIBLE FIXED ASSETS

	£
Cost	
At 3 April 2012 and 31 December 2012	41,311
Amortisation	
At 3 April 2012	19,279
Charge for the period	6,198
At 31 December 2012	25,477
Net book value	
At 31 December 2012	15,834
At 2 April 2012	22,032

REACTION ENGINES LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2012

3. TANGIBLE FIXED ASSETS

	£
Cost	
At 3 April 2012	761,950
Additions	34,608
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At 31 December 2012	796,558
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Depreciation	
At 3 April 2012	271,786
Charge for the period	56,486
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At 31 December 2012	328,272
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Net book value	
At 31 December 2012	468,286
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At 2 April 2012	490,164
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REACTION ENGINES LIMITED

**NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2012**

4. FIXED ASSET INVESTMENTS

	£
Cost or valuation	
At 3 April 2012 and 31 December 2012	<u>95,774</u>
Net book value	
At 31 December 2012	<u>95,774</u>
At 2 April 2012	<u>95,774</u>

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Crossman Engineering Limited	Ordinary	100%
Skylon Enterprise Limited	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2012 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Crossman Engineering Limited	(15,733)	(77,924)
Skylon Enterprise Limited	<u>(971,017)</u>	<u>(498,804)</u>

The figures in relation to Crossman Engineering Limited are for the year ended 31 March 2013

The figures in relation to Skylon Enterprise Limited are for the year ended 31 December 2012

5. SHARE CAPITAL

	31 December 2012 £	2 April 2012 £
Allotted, called up and fully paid		
3,060,280 (2012 - 2,780,492) Ordinary shares of £0.01 each	<u>30,603</u>	<u>27,805</u>

During the period 279,738 (02/04/2012 - 448,618) ordinary shares of 1p each were issued, fully paid for cash consideration of £2,305,429 (02/04/2012 - £4,008,944). No issue costs were incurred.