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ADVANCE TECHNOLOGIES INC  
Form 10KSB  
January 07, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB

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

For the Fiscal Year Ended September 30, 2002

Commission File No. 0-27175

ADVANCE TECHNOLOGIES, INC.

\_\_\_\_\_  
(Exact name of registrant as specified in its charter)

Nevada

95-4755369

\_\_\_\_\_  
(State or other jurisdiction of  
Incorporation or organization)

\_\_\_\_\_  
(I.R.S. Employer Identification No.)

716 Yarmouth Road # 215  
Palos Verdes Estates, CA 90275

\_\_\_\_\_  
(Address of principal executive offices)

Registrant's telephone number, including area code: (310) 265-7776

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class  
Common Name of Each exchange on which registered  
National Association of Securities Dealers  
Securities registered pursuant to Section 12(g) of the Act:

\_\_\_\_\_  
Indicate by check mark 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.

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Yes [X] No [ ]

Indicate by check mark 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 registrants's knowledge, in definitive proxy or information statements incorporated by reference in part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

Issuer's revenues for its most recent fiscal year were \$29,039

The aggregate market value of voting stock held by non-affiliates of the Registrant as of September 30, 2002 was approximately \$1,033,140

On October 1, 2002, approximately 17,218,967 Shares of the Registrant's Common Stock, \$0.001 par value, were outstanding.

Documents Incorporated by Reference  
Exhibit A & Exhibit B

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## PART I

### ITEM 1. BUSINESS

#### Overview

Advance Technologies Inc. is a developer of Infrared Enhanced Vision Technology and commercial solutions. The company has a world wide license from Hughes Aircraft company, Los Angeles, California for a patented advanced infrared imaging system. Advance Technologies licenses and develops applied infrared enhanced vision solutions for use in diverse industries including aviation, recreational vehicles, commercial trucking, marine, security, and fire fighting applications. The Company is currently engaged in the development of night vision systems with applications in the commercial sector.

Advance Technologies has entered into a licensing agreement with Kollsman Inc., which has incorporated the company's technology and intellectual property into an Enhanced Vision System for use on the Gulfstream series of Aircraft. The system entered production in early 2002, and is in the process of ramping up for full production. Kollsman has announced a new enhanced vision product in late 2002 focused at the low-end private aviation market. This product is expected to enjoy the same success as the Gulfstream product but with a far larger market.

#### Background

Advance Technologies, Inc. ("the Company") The Company was organized under the laws of the State of Delaware under the name PWB Industries, Inc.; the articles of incorporation were issued June 16, 1969. The name was changed to Sun Energy, Inc. ("The Company"), which merged with Sto Med, Inc. on February 22, 1996 changing its name to Sto Med, Inc. ("The Company") and domicile to the State of Nevada. On February 23, 1996, Sto Med, Inc., a privately held California corporation, was acquired by Sto Med, Inc. ("The Company") the California Corporation acquisition was rescinded on August 23rd 1997. Sto Med Inc. ("The Company") the Nevada Corporation changed its name to Advance Technologies, Inc., ("The

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Company") on August 23rd 1997. On September 27, 1999 the "Company" acquired Seacrest Industries of Nevada, also known as Infrared Systems International.

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### The Company

The Registrant through its wholly owned subsidiary SEACREST INDUSTRIES, INC., and through its president and director Mr. Gary Ball was granted an exclusive world-wide license agreement for the use of US patent number 5,534,694 by Hughes Aircraft Company, for a key optical element of the Infrared Aircraft Landing System. Gary Ball founder and CEO of Infrared Systems International (ISI) a/k/a Seacrest Industries International, Inc. in 1992 formed the company for the singular purpose of providing manufacturing and sales support for the unique Infrared System called Enhanced Vision System (EVS). While employed by Electro-Optical Systems, a segment of Hughes Aircraft Company, as senior Program Manager and engineer, he led the research and development team responsible for the development of the Enhanced Vision System (EVS). This technology was designed to allow aircraft pilots to actually "see" the airport environment through cloud ceiling or surface fog. The factor of enhanced safety, alone, is generating an enormous demand for this type of system.

### Significant Corporate Milestones

Advance Technologies Inc. was granted an export license for Micro-bolometer IR cameras for Medical Applications in the Far East. The Department of Commerce license allowed Advance Technologies to export 35 Night Vision Camera to Telesis Technologies of Taiwan for incorporation in their medical system, Spectrum 9000. These units were then resold to end-users medical facilities in Korea and Taiwan. The license was obtained on behalf of Telesis Technologies under terms of our Agent Agreement.

Advance Technologies Inc. received the initial two pre-production Niteagle Systems from Telesis in 2002. These units have been evaluated and demonstrated to potential customers. This effort will continue into 2003.

### Employees

The Company employs a total of three (3) employees, One of which is full time, the other two are used on a Reduced hour workweek as required. This staff reduction is the result of economic conditions discussed in the Management Discussion Section in depth.

## ITEM 2. PROPERTIES

The Company's executive offices are located in Palos Verdes Estates, California.

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### ITEM 3. LEGAL PROCEEDINGS

There are no legal proceedings known or pending against the Registrant or its subsidiary

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

No matters were submitted to a vote of the Company's Security holders through the solicitation of proxies or Otherwise, during the fiscal year ended September 30, 2002.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company is currently trading, OTC, on the Nationals Association of Securities Dealers "Pink Sheets" with the high bid at \$0.90 per share and the low bid of \$0.06 per share during the last year. Additional information required by this item may be found in the Company's 2002 Financial Statements.

On September 30, 2002 there was 17,218,967 shares outstanding of registrant's common stock, at \$0.001 par value. There was an additional 38,858,057 shares of Class B restricted stock.

The increase of common stock from 2,572,923 to 17,218,967 Resulted from the 30% conversion of 144 restricted stock To free trading stock. The conversion was authorized by The board of directors of Advance Technologies January 1, 2002.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND REPORTS OF OPERATION

From time to time, we may publish forward-looking statements relating to matters, including anticipated financial performance business projects, the progress and goals for our research and development programs, marketing strategies, and other similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor, a variety of factors could cause Our actual results and experience to differ materially from the Anticipated results or other expectations expressed in our Forward-looking statements. In addition, we disclaim any Intent or obligation to update those forwarding-looking statements.

When used in this discussion, the words "believes," "anticipates" "expected" "assumes" "and similar expressions are intended to identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date of this report. We undertake no obligation to publicly release the results of any Revisions to these forward-looking statements that may be made To reflect events or circumstances after the date of this report or to Reflect the occurrence of unanticipated events.

For a more detailed description of our operations for 2002 see Item 14 Management Discussion for 2002

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### ITEM 7. FINANCIAL STATEMENTS.

The financial statements required by this item are included in the Company's 2000 Financial Statements and are presented in Part IV, Item 13.

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTS ON ACCOUNTING FINANCIAL DISCLOSURE:

None

### PART III

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

GARY E. BALL Age 65, residing in Manhattan Beach, California is married. He attended California State University at Long Beach graduating in 1967 BSEE and MSEE, went on to perform Graduate Studies at University of Southern California. He has specialized in product design, development, and management for North American Aviation, Autonetics Division. Technical Manager in charge of the Pave Track program for Ford Aerospace. Program Manager for Northrop Electro-Mechanical in charge of business development on several classified DOD programs, including the AMRAAM effort. Program Manager for Hughes Aircraft where he developed the Infrared Enhanced Vision System, reporting to the President of EDSG as directed by General Motors and directed all non-core business. He is a member of NATO NIAG study group on Aircraft Integration. He has authored several articles for trade publications, the last 4 years he has provided consulting services to 10 U.S. and foreign corporations in the field of IR technology.

GARY L. BANE Age 64, residing in Santa Barbara, California is married. He attended University of Southern California attaining BS Mechanical and Aeronautical (1960) MS Control Systems and Instrumentation (1966) MS Systems Management (1968). University of California, Los Angeles studying Deep Submergence Vehicle, Oceanography and Offshore Systems Engineering. Stanford University Executive Institute of Management of High Technology Companies. Mr. Bane is a specialist in the development and management of Deep Ocean and offshore technology projects. He recently retired from Rockwell after 30 years as director of Ocean Systems. While at Rockwell he successfully managed significant technical solutions and advanced state-of-the-art programs for a number of classified programs. He was General Manager of Interstate Electronics; Oceanic Division where he was responsible for profit and loss and R and D for offshore oil drilling and recovery projects.

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WENDY BALL Age 56, residing in Manhattan Beach, California is married. She graduated from University of Southern California, BS cum Laude. Her career has been focused on retail merchandising, where she has demonstrated exceptional skills in management, team building and communications. She is National Sales Director for Christian Lacroix New York, a wholly owned subsidiary of Louis Vitton Moet Hennessey (LVNH). She was an account executive for Carolee Jewelry for Southern California, Arizona and Utah. She was co-owner Brava Specialty Clothing Store in Redondo Beach, California.

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### ITEM 10. EXECUTIVE COMPENSATION

Other than information provided in the Company's 2002 Financial Statements incorporated Herein, executive officers and directors have Received no other compensation.

### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

<u>Title of Class</u>	<u>(1) Name and Address of Beneficial Owner</u>	<u>(2) Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class</u>
Preferred	Gary E. Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	18.4
Preferred	Gary L. Bane 2015 Edgewater Santa Barbara, CA 93109	364,000 Issued Shares	1.0
Preferred	Wendy Ball 28 Santa Cruz Court Manhattan Beach, CA 90266	9,240,000 Issued Shares	18.4

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Gary E. Ball and Wendy Ball are married.

The consideration exchanged under the Plan was negotiated between the directors and executive officers of the Registrant, the Board of Directors of SEACREST INDUSTRIES, INC. (the board of directors of the Registrant, are the same board of directors as that of SEACREST INDUSTRIES, INC.) and the SEACREST INDUSTRIES, INC. Stockholders, and the Board of Directors of the Registrant used criteria used in similar proposals involving the Registrant in the past, including the relative value of the assets of the Registrant; its present and past business

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operations; future potential of SEACREST INDUSTRIES, INC.; its management; and the potential benefit to the stockholders of the Registrant. The members of the Board of Directors determined in their good faith that the consideration for the exchange was reasonable, under these circumstances.

### PART IV

### ITEM 13. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

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The following documents are filed as part of this Form 10-KSB Annual Report:

See Attached Financial Statements: Exhibit A (16 pages)

### ITEM 14. EXHIBITS, MANAGEMENT DISCUSSIONS AND OPERATIONS

The following document is filed as part of this Form 10-KSB Annual Report:

See Attached Exhibit A (15 pages)

See Attached Exhibit B (6 pages)

Exhibit 99.1 - Certification

Exhibit 99.2 - Certification

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### SIGNATURES

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

Date: December 30, 2002

Advance Technologies, Inc.  
(Registrant)

By:/s/ GARY E. BALL

-----  
Gary E. Ball  
President and Director

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EXHIBIT A



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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)

Consolidated Financial Statements

September 30, 2002 and 2001

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of  
Advance Technologies, Inc.  
(A Development Stage Company)

We have audited the accompanying consolidated balance sheets of Advance

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Technologies, Inc. (a development stage company) as of September 30, 2002 and 2001 and the related statements of operations, stockholders' equity and cash flows for the years ended September 30, 2002 and 2001 and from inception on October 1, 1985 through September 30, 2002. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Advance Technologies, Inc. (a development stage company) as of September 30, 2002 and 2001 and the results of its operations and cash flows for the years ended September 30, 2002 and 2001 and from inception on October 1, 1985 through September 30, 2002 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has minimal assets and is dependent upon financing to continue operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Chisholm & Associates  
North Salt Lake, Utah  
December 27, 2002

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Balance Sheets

### ASSETS

September 30,	
2002	2001
<hr/>	<hr/>

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CURRENT ASSETS

Cash	\$ 1,719	\$ 3,515
Total Current Assets	1,719	3,515
PROPERTY & EQUIPMENT, net	22,367	26,835
TOTAL ASSETS	\$ 24,086	\$ 30,350

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accrued Interest	\$ 23,267	\$ 13,007
Advance Royalties	25,000	25,000
Notes payable-officer	36,300	28,300
Total Current Liabilities	84,567	66,307

LONG-TERM DEBT

Line of Credit	85,500	85,500
TOTAL LIABILITIES	170,067	151,807

STOCKHOLDERS' EQUITY

Common stock, authorized 100,000,000 shares of \$0.001 par value, issued and outstanding 17,218,967 and 2,572,923 shares, respectively	17,219	2,573
Preferred Stock, Series A authorized 100,000,000 shares of \$0.001 par value, issued and outstanding 38,808,057 and 50,204,102 shares, respectively	38,808	50,204
Additional paid-in capital	446,496	446,496
Retained earnings (deficit)	\$ (648,504)	(620,730)
Total Stockholders' Equity	(145,981)	(121,457)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,086	\$ 30,350

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Statements of Operations

	For the Year Ended September 30,		For the period of entering Development Stage on October 1, 1985 Through September 30, 2002
	2002	2001	
REVENUES	\$ 29,039	\$ 30,985	\$ 60,024
EXPENSES:			
Depreciation & Amortization	7,854	7,000	29,519
Organization Costs	-	-	11,331
Research & Development	-	61,500	72,750
General and administrative	38,699	18,625	608,962
Total Expenses	46,553	87,125	722,562
INCOME (LOSS) FROM OPERATIONS:	(17,514)	(56,140)	(662,538)
OTHER INCOME (EXPENSE):			
Interest Expense	(10,260)	(10,191)	(23,267)
Miscellaneous Income	-	98,000	98,000
Total Other Income (Expense):	(10,260)	87,809	74,733
NET INCOME (LOSS)	\$ (27,774)	\$ 31,669	\$ (587,805)
NET LOSS PER SHARE:			
Loss Per Share	\$ (0.00)	\$ 0.01	\$ (0.55)
Weighted average shares outstanding	10,796,656	2,572,923	1,058,131

The accompanying notes are an integral part of these financial statements.

ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Statements of Stockholders'  
Equity (For the period of entering development stage on  
October 1, 1985  
through September 30, 2002)

	Common Stock		Additional Paid-In Capital	Stock Shares	Amount	Deficit Accumulated During the Preferred Development Stage
	Shares	Amount				
Balance, October 1, 1985 (beginning of the development stage)	6,487	\$ 7	\$ 58,161	-	\$ -	\$ (60,701)
Shares issued for coal royalties at \$0.01	4,369	4	1,525	-	-	-
Shares issued for services at \$0.25	554	1	4,849	-	-	-
Shares issued for services at \$0.03	1,601	2	1,680	-	-	-
Shares issued for services at \$0.25	1,274	1	11,145	-	-	-
Shares issued for services at \$0.01	2,290	2	798	-	-	-
Shares issued for services at \$0.25	37,203	37	325,487	-	-	-
Preferred shares issued for services	-	-	-	10,048	1,004	-
Preferred shares expire	-	-	1,004	(10,048)	(1,004)	-
Net loss since the beginning of the development stage						

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at October 1, 1985	-	-	-	-	-	(344,001)
Balance, September 30, 1995	53,778	54	404,649	-	-	(404,702)
Shares issued for services at \$0.25	5,714	6	49,994	-	-	-
Rounding up of shares	(6)	(1)	-	-	-	-
Net loss for the year ended September 30, 1996	-	-	-	-	-	(50,000)
Balance, September 30, 1996	59,486	59	454,643	-	-	(454,702)

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Statements of Stockholders' Equity  
(For the period of entering development stage on October 1, 1985 through September 30, 2002)  
(Continued)

	Common Stock		Additional Paid-In Capital	Stock Shares	Amount	Deficit Accumulate During the Preferred Development Stage
	Shares	Amount				
Balance Forward	59,486	59	454,643	-	-	(454,702)
Shares issued for services at \$0.25	608	1	5,324	-	-	-
Net loss for the year ended September 30, 1997	-	-	-	-	-	(5,325)

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Balance, September 30, 1997	60,094	60	459,967	-	-	(460,027)
Shares issued for services at \$0.001	12,828	13	436	-	-	-
Net loss for the year ended September 30, 1998	-	-	-	-	-	(447)
Balance September 30, 1998	72,922	73	460,403	-	-	(460,474)
Shares issued for cash at \$0.01	2,500,000	2,500	22,500	-	-	-
Shares issued for common stock of SeaCrest Industries Corp. at \$0.001	-	-	(36,407)	50,204,102	50,204	-
Net loss for the year ended September 30, 1999	-	-	-	-	-	(90,126)
Balance, September 30, 1999	2,572,922	2,573	446,496	50,204,102	50,204	(550,600)
Net loss for the year ended September 30, 2000	-	-	-	-	-	(101,799)
Balance, September 30, 2000	2,572,922	2,573	446,496	50,204,102	50,204	(652,399)

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Statements of Stockholders'  
Equity (For the period of entering development stage on  
October 1, 1985  
through September 30, 2002)  
(Continued)

Common Stock

Additional

Deficit  
Accumulate  
During the  
Preferred

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	<u>Shares</u>	<u>Amount</u>	<u>Paid-In Capital</u>	<u>Stock Shares</u>	<u>Amount</u>	<u>Development Stage</u>
Balance Forward	2,572,922	2,573	446,496	50,204,102	50,204	(652,399)
Net income (loss) for the year ended September 30, 2001	-	-	-	-	-	31,669
Balance, September 30, 2001	2,572,922	2,573	446,496	50,204,102	50,204	(620,730)
Shares issued for services at \$0.001	3,250,000	3,250	-	-	-	-
Shares converted to common stock	11,396,045	11,396	-	(11,396,045)	(11,396)	-
Net income (loss) for the year ended September 30, 2002	-	-	-	-	-	(27,774)
Balance, September 30, 2002	<u>17,218,967</u>	<u>\$17,219</u>	<u>\$446,496</u>	<u>38,858,057</u>	<u>\$38,858</u>	<u>\$(648,504)</u>

The accompanying notes are an integral part of these financial statements.

ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Consolidated Statements of Cash Flows

For the Year Ended September 30,		For the period of entering Development Stage on October 1, 1985 Through September 30, 2002
<u>2002</u>	<u>2001</u>	<u>2002</u>



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CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (27,774)	\$ 31,669	\$ (587,805)
Adjustments to reconcile net loss to net cash, provided by operations:			
Stock issued for services	3,250	-	403,025
Depreciation & Amortization	7,854	7,000	29,519
Organization Costs	-	-	11,331
Decrease in prepaids	-	12,500	14,680
Increase (Decrease) in accrued liabilities	10,260	(24,100)	23,269
	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Flows Used in Operating Activities	(6,410)	27,069	(105,981)
	<u>          </u>	<u>          </u>	<u>          </u>

CASH FLOWS USED IN INVESTMENT ACTIVITIES (39

Purchase of Equipment	(3,386)	(10,000)	(39,386)
Investment in Subsidiary	-	-	286
	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Used in Investment Activities	(3,386)	(10,000)	(39,100)
	<u>          </u>	<u>          </u>	<u>          </u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash paid on Loan from Officer	(8,000)	(21,200)	(41,200)
Proceeds from Loan from Officer	16,000	-	77,500
Proceeds from Line of Credit	-	6,000	85,500
Proceeds from Issuance of Stock	-	-	25,000
	<u>          </u>	<u>          </u>	<u>          </u>
Net Cash Flows from Financing Activities	8,000	(15,200)	146,800
	<u>          </u>	<u>          </u>	<u>          </u>

NET INCREASE (DECREASE) IN CASH	(1,796)	1,869	1,719
CASH, BEGINNING OF YEAR	3,515	1,646	-
	<u>          </u>	<u>          </u>	<u>          </u>
CASH, END OF YEAR	\$ 1,719	\$ 3,515	\$ 1,719
	=====	=====	=====

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## Consolidated Statements of Cash Flows (Continued)

For the Year Ended September 30,		For the period of entering Development Stage on October 1, 1985 Through September 30, 2002
2002	2001	

### SUPPLEMENTAL CASH FLOW INFORMATION

Cash Paid for:					
Interest	\$	-	\$	-	\$ -
Taxes	\$	-	\$	-	\$ -

### SUPPLEMENTAL NON-CASH INFORMATION

During December 2001, the Company issued 3,250,000 shares of common stock for services valued at \$3,250 (or \$.001 per share).

During the year ending September 30, 2002, a total of 11,396,045 shares of preferred stock were converted to common stock.

The accompanying notes are an integral part of these financial statements.

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2002 and 2001

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Organization

The Company was organized under the laws of the state of Delaware on June 16, 1969 as PWB Industries, Inc. On November 10, 1975, the Company changed its name to Sun Energy, Inc. At that time, the Company began operations in the oil and gas lease industry. By 1985, the Company discontinued its operations and became dormant. On March 6, 1996, the Company attempted a merger which failed. On August 23, 1997, the Company changed its name to Advance Technologies, Inc. and changed its place of domicile to from Delaware to Nevada.

On September 27, 1999, pursuant to a plan of acquisition, the

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Company exchanged 50,204,102 shares of its Series "A" preferred stock for 50,204,102 shares of SeaCrest Industries Corporation's common stock. This acquisition has been accounted for using the purchase method of a business combination.

The Company is currently engaged in the development of a night vision system with applications in the military as well as civil. The Company has an agreement with a Taiwan company wherein they are jointly developing the night vision system for use in Class A coaches. The Company is also involved in the development of other Electro-optical mechanical devices.

### b. Accounting Method

The Company recognizes income and expenses on the accrual basis of accounting.

### c. Consolidation

The consolidated financial statements include the accounts of Advanced Technologies, Inc. and SeaCrest Industries Corporation, a wholly owned subsidiary. Intercompany transactions have been eliminated.

### d. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2001 and 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### e. Earnings (Loss) Per Share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding at the date of the financial statements.

For the Years Ended September 30,		From Inception on October 1, 1985 Through September 30, 2002
2002	2001	

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Numerator - net loss	\$ (27,774)	\$ (31,669)	\$ (587,805)
Denominator - weighted average number of shares outstanding	10,796,656 =====	2,572,923 =====	1,058,131 =====
Loss per share	\$ (0.00) =====	\$ 0.01 =====	\$ (0.55) =====

f. Provision for Income Taxes

No provision for income taxes has been recorded due to net operating loss carryforwards totaling approximately \$631,700 that will be offset against future taxable income. These NOL carryforwards begin to expire in the year 20004. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforward will expire unused.

Accordingly, per FASB 109, the potential tax benefits of the loss carryforwards are offset by the valuation of the same amount.

Deferred tax assets and the valuation account is as follows at September 30, 2002 and 2001.

	September 30,	
	2002	2001
Deferred tax asset:		
NOL carryforward	\$ 214,700	\$ 205,000
Valuation allowance	(214,700)	(205,000)
Total	\$ - =====	\$ - =====

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2002 and 2001

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of

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assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. In these financial statements assets and liabilities involve extensive reliance on management's estimates. Actual results could differ from those estimates.

### h. Revenue Recognition

The Company has received revenue pursuant to an agent agreement which allows the Company to receive fixed monthly service fees, and to bill for additional services provided. The Company records revenues when the services are performed. The Company has recognized \$-0- and \$31,669 in revenues for services performed in connection with this agreement for the years ended September 30, 2002 and 2001.

The Company is also entitled to reimbursement for various expenses associated with the development fo its night vision technology pursuant to the joint venture agreement with the Taiwan company. These reimbursements are recorded as miscellaneous income when received. The Company recognized miscellaneous income of \$ -0- and \$98,000 during the fiscal years 2002 and 2001 from reimbursement received from the joint venture partner.

### NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise capital in order to define their business operations, thus creating necessary operating revenue.

### NOTE 3 - DEVELOPMENT STAGE COMPANY

The Company is a development stage company as defined in Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and developing its business operations in order to generate significant revenues.

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ADVANCE TECHNOLOGIES, INC.  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
September 30, 2002 and 2001

### NOTE 4 - PROPERTY & EQUIPMENT

Property & Equipment consists of the following at September 30, 2002 and 2001:

September 30,

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	2002	2001
	-----	-----
Equipment	\$ 39,386	\$ 36,000
Less: Accumulated Depreciation	(17,019)	(9,165)
	-----	-----
Net Property & Equipment	\$ 22,367	\$ 26,835
	=====	=====

Expenditures for property and equipment and for renewals and betterments, which extend the originally estimated economic life of assets or convert the assets to a new use, are capitalized at cost. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of the cost and accumulated depreciation are eliminated from the accounts, and a gain or loss is included in the results of operations.

The provision for depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The useful lives of equipment are 5 years. Depreciation expense for the years ended September 30, 2002 and 2001 are \$7,854 and \$7,000.

NOTE 5 - ADVANCED ROYALTIES

SeaCrest Industries Corporation, formerly Infrared Systems International, Inc., entered into a licensing agreement for marketing and distributing of infrared aircraft landing systems. Seacrest received \$25,000 in advances. These royalty revenues have been deferred until future revenue streams occur, if any actually do occur, and these royalty revenues have been recorded as a liability.

NOTE 6 - RELATED PARTY TRANSACTIONS

As of September 30, 2002, the Company owes an officer the Company \$36,300 for loans made. This note payable-officer is considered a current liability with no provision for interest.

NOTE 7 - LINE OF CREDIT

The Company has negotiated a Line of Credit with a corporation, wherein the Company has a credit limit of \$125,000. This line accrues 12.0% interest annually and is due January 1, 2004. As of September 30, 2002, the Company has borrowed a total of \$85,500. For the year ended September 30, 2002, the Company recorded \$10,260 in interest expense. As of September 30, 2002, the Company has accrued interest totaling \$23,267.

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### NOTE 8 - COMMON STOCK

During December 2001, the Company issued 3,250,000 shares of previously authorized but unissued common stock for consulting services for \$3,250 (or \$.001 per share).

During the year ended September 30, 2002, 11,396,045 shares of preferred stock were converted to common stock.

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### EXHIBIT B

Advance Technologies Inc.  
Management Discussion and Analysis  
Year End, September 2002

#### MANAGEMENT DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Advance Technologies Inc. ("AVTX") is a developer of infrared (IR) Enhanced Vision technology for commercial solutions and applications. The Company engages in advance development activities and through strategic business arrangements AVTX utilizes OEM suppliers and major system corporations to form strategic business associations. This unique business model combines the strength of our organization with the prior capital investment of the OEMs and the in place established marketing and sales organization of the System Integrator. Our ability to bridge advance IR technology into application-specific markets shortens the development-to-market cycle and associated high investment risks of this enterprise.

#### Business Overview

The tragic events of September 11, 2001 has produced economic and bureaucratic shock waves that has had a direct effected on AVTX and our strategic plans. The effect has been most notable in the decline of the price of our common stock in recent months reflecting the general slow down that has effected our markets.

The aftermath of 9-11 has effected Corporations such as Advance Technologies Inc. through our significant involvement in Infrared Technology, which is a controlled and regulated technology by the US Government. Since AVTX is exclusively involved in commercial applications, and all of the technologies we employ are considered "dual use technology" (military and commercial), the governments restrictions have had little effect on the scope and direction of our strategic plans. Thus, our plans for future products has not materially changed. But, the government has imposed new requirements on Corporation like AVTX to prove our system applications meet the commodity juristion regulations (commercial non-military end-use) to the Department of State through compliance to the International Traffic in Arms Regulation (ITAR), 22 CFR 120-130. This burden of compliance has both lengthen and complicated the approval process. This has contributed to a slow down thus effecting our rate of progress.

ATI entered into an agreement with an off-shore OEM strategic partner

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Telesis Electronics September of 2000, a Taiwanese privately held corporation. Under the terms of this agreement ATI is developing IR systems in conjunction with Telesis for sale in the USA as well as other foreign markets. Export licenses are required to provide critical components for this work. Approval for these licenses are taking more than a year to obtain. Furthermore additional end-user restrictions are being imposed complicating and lengthening the process. This same activity in the past took less than 6 months prior to 9-11, with far less paper work and disclosure documents.

The second event that has had an impact on AVTX stock has been the authorization of a 30% of conversion of Advance Technology Preferred stock into ATI common stock by the shareholder of record provided the holding period has been met.

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The resulting action has been to increase the number of shares of common stock in the market (float), which under normal circumstances produces some degree of pressure on the stock. This process of moving from a development Corporation with restricted 144 stock to a fully free trading corporation is a common but necessary growing pain of the maturation process.

ATI's management is recommending to the Board of Directors that the 50% of the remain balance of the Preferred Stock be released for conversion to Common Stock on June 1, 2003. It is our opinion that it is a good time to authorize the conversion of additional preferred shares to common stock. This opinion is based upon several factors. First, the present depressed value of the stock is viewed as under-valued in our opinion, when our potential is taken into consideration. Second, there is a need to continue an orderly process for the conversion of the preferred to common stock. And lastly, we are optimistic that profitability will be achieved in 2003 and beyond. The positive prospects in 2003 will help to offset the effect of additional dilution, which we believe AVTX can form a base for future growth.

### Enhanced Vision Activities

Enhance Vision System, our first project; has entered production. Advance Technologies benefits through a license agreement with Kollsman Inc.

The License Agreement between Advance Technologies and Kollsman Instruments covers the transfer of proprietary intellectual property owned by Advance Technology. The data package consisted of technical, industrial, marketing, and FAA regulatory knowledge to facilitate the development of the IR EVS and subsequent FAA certification. Included as part of, but specifically partition within the Agreement is an option for Kollsman to use a Hughes Aircraft patent that was licensed to Advance Technologies in 1996. Kollsman elected to proceed forward with an IR EVS system based upon the content of the License Agreement, but without incorporating the Hughes Aircraft patent. There has been concerns expressed that the lack of inclusion of the Hughes Patent could in some way effect ATI our future revenue.

ATI provided the Hughes patent to Kollsman on a sub-license agreement approved by Hughes Aircraft. In the sub-license agreement ATI provided the right to use the Hughes Aircraft license on a zero dollar (\$0) mark



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up, passing the Hughes royalties through 1:1 with no increase. As a result, royalties due to ATI under the License Agreement are unaffected by either the use or non-use of the Hughes Patent.

At the time of the decision by Kollsman to proceed forward without using the Hughes Patent in the development, ATI was fully consulted and agreed with the interim approach selected by Kollsman. The need to move forward quickly was deemed to be more important than a desire to produce a more robust performing system at that time. This decision to move forward as quickly as possible was a good business decision that has allowed us to reach the market sooner than our competition.

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ATI believes that the long term EVS will need to incorporate advance optical techniques to achieve the performance level dictated by the more difficult and demanding passenger carrying commercial aviation markets (FAA Part -121 & Part -135 operations). ATI has maintained our advance concept developments using both the Hughes Aircraft patent and other proprietary techniques. Under the License Agreement with Kollsman, ATI is obligated to offer these improvements to Kollsman as a first right of refusal. A provision in our agreement that ATI has fully comply with. We believe assisting in the development of a competing system to Kollsman would not be in the best interest of AVTX or our shareholders under current and foreseeable conditions.

ATI and Kollsman had discussed working on an Advanced EVS based upon ATI's proprietary technology. Kollsman has taken an action to look into providing ATI with certain hardware items to support ATI's internal activities on the Advance System development. As of September no progress has been made on this program.

Kollsman has issued the quarterly report required under the License Agreement to ATI stating eleven (11) EVS have been delivered to their customer. The definition of a delivered EVS system, is when Kollsman receives payment for the delivered system the system is considered at that time to have been sold. The time between Kollsman initial delivery to the aircraft supplier and the final sell off was initially taking 10-12 weeks. The time in the pipeline has been decreased to 4-6 weeks, as the integration team becomes more experienced and the rate of delivery increased. The following table was constructed from the data provided by Kollsman.

### UNITS DELIVERED & SOLD VERSUS 2002 (QUARTERLY)

	INITIAL DELIVERY	UNITS SOLD	ACCUMATIVE
1st Qt. 2002	2	0	0
2nd Qt 2002	7	5	5
3rd Qt. 2002	14	6	11
4th Qr. 2002	-	-	

The delivery rates are increasing as Kollsman ramps up production. Kollsman has released no information on their future production plans. Their end user continues to expand the application to additional aircraft through certification activity with the FAA. This will serve to increase the EVS market. No information has been released by either

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party at this time on the details or the likely effect of this activity on the overall EVS market.

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The License Agreement (July 1997) between Kollsman and ATI has a royalty schedule that was specifically tailored to achieve two key elements (1) for rapid recovery of the development investment and (2) maximize long term profits to ATI predicated upon a large EVS market. Under the provisions that implement this strategy the initial production units are royalty free. The royalty per unit increases in four discrete steps to a maximum value per unit.

Kollsman Instruments released a PRESS RELEASE in September 2002, titled, KOLLMAN'S ENHANCED VISION SYSTEM PRODUCTLINE EXPAND. The Press Release announced the introduction of a "new reduced performance EVS version" called Night Window TM, a low cost derivative of the high performance Kollsman's "All-weather Window" system. The expansion of Kollsman into the higher volume, lower cost EVS market has been anticipated by Advance Technologies. This market is larger and is more accessible from an FAA certification standpoint.

Kollsman has not released any additional information with regard to application, host platforms, or future sales. As this information become available, or creditable projections are made by independent sources, Advance Technologies will make appropriate announcements.

ATI and Telesis Technologies signed an EVS agreement, which designates Telesis Technologies as our EVS representative for Far East opportunities. This agreement gives Telesis the right to present limited information on EVS and the benefit that EVS can provide to civil aviation. Discussions by Telesis in the Far East has provided no specific opportunity to date.

### Honeywell Technology License

Honeywell provided ATI initial terms for a "field application" and/or "market use" of their Micro-bolometer technology. The terms and conditions have been evaluation by ATI and our partner Telesis. It appears the terms are reasonable based upon assumptions on the price and availability of a low cost import from Taiwan. This product will not be available until first quarter of 2003, therefore the need to finalize an agreement with Honeywell has been delayed until first or second quarter of 2003.

### NITEAGLE(TM)

Telesis Technologies had provided two preproduction units for market evaluation and product finalization. Tests have been completed and detailed technical specifications of the production product completed. This process included the review and incorporation of technical advancements that have occurred in the last 18 months. The baseline configuration is up to date with the latest advancements to ensure that our economic base is solid and will not be obsoleted with near term improvements. The rapid pace of these improvements has been an impediment to finalizing the system and coming to market.

Meetings in September were conducted with the ATI-Telesis team meeting with our potential launch customer (OEM RV supplier) and a key IR supplier in the USA. With the present ITAR restriction levied by the Department of State, ATI & Telesis concluded the initial production of the restricted IR technology should be performed in the USA, while the balance of the unrestricted hardware would be imported from the Far East. The meetings exceeded our expectations, and the product near term viability received a strong boost. Our business model was validated and our cost model is meeting our expectations. As always we retain back up and contingency plans to cover the unknown to the extent the unknown can be anticipated.

The preliminary plan to launch the Niteagle project has been prepared and submitted to Telesis Electronics Board of Directors for approval. ATI has preciously approved the initial plan. We expect approval prior to the end of this year and to initiate the most next and most critical phase, a broad agreement that includes ATI, Telesis, The exclusive launch customer, and our USA IR supplier. .

#### Spectrum 9000, Medical Equipment

ATI continues to provide export license support under a time & service reimbursement agreement with Telesis Technologies. Telesis has not announced a date for introduction of the Spectrum 9000 into the US market. Additional discussions and meeting with medical equipment experts in the USA. ATI believes that Telesis will become activity in the US market in 2003, and what role ATI will play in that activity has not been determined.

#### Development Projects

Advance Technologies Inc. continues development activities on new Infrared systems for commercial markets. These projects cannot be forecast with any degree of certainty and all strategic partnerships or business arrangements remain confidential until such time as a formal announcement is appropriate without compromising the development plan and/or the application market.

#### CAPITAL RESOURCES

No commitment for capital resources has been made during this reporting period.

#### FINANCIAL ANALYSIS

The results on the operation represent projects of likely future events that cannot be guaranteed. Therefore, the financial analysis does not include projects, and no quantitative assessment has been provided based upon the future discussion of potential events in section 3.

No material changes have been provided; therefore impact of unforeseeable events cannot be assessed.

Present financial plans are adequate to meet our cash flow needs with our current project schedule.

