

**MICROLIGHTS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR**  
**31ST MAY 2002**

**Company Registration Number 1794445**



**CHRISTOPHER HARDEN LIMITED**  
Chartered Accountants & Registered Auditors  
122a Nelson Road  
Whitton  
Middlesex  
TW2 7AY

**MICROLIGHTS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2002**

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**MICROLIGHTS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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<b>The board of directors</b>	Mr R C Millington Mr R Norton Mrs K Millington Mr C M Brown
<b>Company secretary</b>	Mr A Blair
<b>Registered office</b>	Elcot Lane Marlborough Wiltshire SN8 2BG
<b>Auditors</b>	Christopher Harden Limited Chartered Accountants & Registered Auditors 122a Nelson Road Whitton Middlesex TW2 7AY
<b>Bankers</b>	National Westminster PO Box 546 100 Barbirolli Square Manchester M60 2FT  Lloyds TSB PO BOX 3766 Dubai United Arab Emirates
<b>Solicitors</b>	Lemon & Co 34 Regent Circus Swindon SN1 1PY

**MICROLIGHTS LIMITED**  
**THE DIRECTORS' REPORT**  
**YEAR ENDED 31ST MAY 2002**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st May 2002.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was the production and marketing of display lighting systems.

In the year under review there were no significant changes in the nature of the activities of Microlights Limited and Microlights BV.

Turnover in the year to 31st May 2002 decreased by 23% as against the prior year. Administrative expenses fell by 3% but not enough to prevent a pre tax loss of £679,215.

**FUTURE PROSPECTS**

The company is budgeting for an increase in turnover in the current year. At the date of these financial statements turnover is running below budget. Overall, the directors anticipate an improved result in the current financial year.

**RESEARCH AND DEVELOPMENT**

Development of lighting products continues with new and improved products being introduced progressively.

**SUBSIDIARIES OF THE COMPANY**

The company has two subsidiaries: O2light Limited based in the UK and Microlights BV, which is based in the Netherlands.

Microlights BV year-on-year sales decreased by 16% resulting in a loss for the year despite a fall in administration expenses

O2Light Limited contributed a one off return of £10,000 in the year.

**RESULTS AND DIVIDENDS**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

**THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY**

The directors who served the company during the year together with their beneficial interests, including family holdings, in the shares of the company were as follows:

	Ordinary shares Shares of £0.10 each	
	At 31 May 2002	At 1 June 2001 or later date of appointment
Mr R C Millington	13,200	13,200
Mr R Norton	6,800	6,800
Mrs K Millington	6,000	6,000
Mr C M Brown	(Appointed 27 September 2001)	
	<u>          </u>	<u>          </u>

**MICROLIGHTS LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31ST MAY 2002**

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**FIXED ASSETS**

The directors consider that the freehold premises owned by the company have a value equal to or greater than cost. Other additions to fixed assets reflect routine capital investment and are as reflected in note 11 to the financial statements.

**DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 to 10, and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**DONATIONS**

During the year the company made the following contributions:

	2002	2001
	£	£
Charitable	<u>50</u>	<u>189</u>

**AUDITORS**

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

Registered office:  
 Elcot Lane  
 Marlborough  
 Wiltshire  
 SN8 2BG

Signed by order of the directors



MR A BLAIR  
 Company Secretary

Approved by the directors on 10th September 2002

**MICROLIGHTS LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**  
**YEAR ENDED 31ST MAY 2002**

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We have audited the financial statements on pages 5 to 19, which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

**RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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. Our responsibilities do not extend to any other information.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom Auditing Standards 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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.

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st May 2002 and of the loss of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

122a Nelson Road  
Whitton  
Middlesex  
TW2 7AY  
10th September 2002

*Christopher Harden Ltd.*  
CHRISTOPHER HARDEN LIMITED  
Chartered Accountants  
& Registered Auditors

**MICROLIGHTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31ST MAY 2002**

	Note	2002 £	2001 £
<b>TURNOVER</b>	<b>2</b>	6,318,015	8,230,018
Cost of sales		3,966,208	5,006,328
<b>GROSS PROFIT</b>		2,351,807	3,223,690
Distribution Costs		34,336	—
Administrative expenses		3,023,615	3,156,856
Other operating income		(1,921)	(4,872)
<b>OPERATING (LOSS)/PROFIT</b>	<b>3</b>	(704,223)	71,706
Interest receivable	<b>6</b>	25,151	47,258
Amounts written off investments	<b>7</b>	—	(10,000)
Interest payable	<b>8</b>	(143)	(174)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(679,215)	108,790
Tax on (loss)/profit on ordinary activities	<b>9</b>	(227,109)	132,800
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>		(452,106)	(24,010)
Dividends	<b>10</b>	—	37,200
<b>LOSS FOR THE FINANCIAL YEAR</b>		(452,106)	(61,210)
Balance brought forward		3,060,923	3,122,133
Balance carried forward		2,608,817	3,060,923

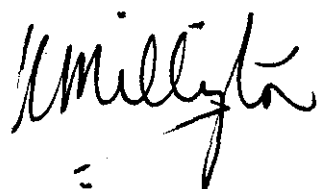
The company has no recognised gains or losses other than the results for the year as set out above.  
All of the activities of the company are classed as continuing.

**MICROLIGHTS LIMITED**  
**BALANCE SHEET**  
**YEAR ENDED 31ST MAY 2002**

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Intangible assets	11	—	—
Tangible assets	12	581,793	655,480
Investments	13	2,002	2,002
		<u>583,795</u>	<u>657,482</u>
<b>CURRENT ASSETS</b>			
Stocks	14	756,370	1,011,477
Debtors	15	1,878,136	1,488,423
Cash at bank and in hand		339,286	973,952
		<u>2,973,792</u>	<u>3,473,852</u>
<b>CREDITORS: Amounts falling due within one year</b>	16	<u>910,850</u>	<u>973,328</u>
<b>NET CURRENT ASSETS</b>		<u>2,062,942</u>	<u>2,500,524</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,646,737</u>	<u>3,158,006</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	18	—	59,163
		<u>2,646,737</u>	<u>3,098,843</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	22	3,720	3,720
Share premium account		34,200	34,200
Profit and Loss Account		2,608,817	3,060,923
<b>SHAREHOLDERS' FUNDS</b>	23	<u>2,646,737</u>	<u>3,098,843</u>

These financial statements were approved by the directors on the 10th September 2002 and are signed on their behalf by:

MR R C MILLINGTON





**MICROLIGHTS LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31ST MAY 2002**

	2002		2001
	£	£	£
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	(250,844)		771,624
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received	25,151		47,258
Interest paid	<u>(143)</u>		<u>(174)</u>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	25,008		47,084
<b>TAXATION</b>	(70,468)		(71,650)
<b>CAPITAL EXPENDITURE</b>			
Payments to acquire tangible fixed assets	(117,339)		(154,086)
Receipts from sale of fixed assets	<u>9,500</u>		<u>6,455</u>
<b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>	(107,839)		(147,631)
<b>EQUITY DIVIDENDS PAID</b>	(37,200)		(61,380)
<b>(DECREASE)/INCREASE IN CASH</b>	<u>(441,343)</u>		<u>538,047</u>

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

	2002	2001
	£	£
Operating (loss)/profit	(704,223)	71,706
Amortisation	—	38,578
Depreciation	183,447	218,427
Profit on disposal of fixed assets	(1,921)	(4,872)
Decrease in stocks	255,107	121,921
(Increase)/Decrease in debtors	(224,936)	627,991
Increase/(Decrease) in creditors	241,682	(302,127)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(250,844)</u>	<u>771,624</u>

**MICROLIGHTS LIMITED**  
**CASH FLOW STATEMENT** *(continued)*  
**YEAR ENDED 31ST MAY 2002**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2002 £	2001 £
(Decrease)/Increase in cash in the period	(441,343)	538,047
Movement in net funds in the period	(441,343)	538,047
<b>Net funds at 1 June 2001</b>	<u>780,629</u>	<u>242,582</u>
<b>Net funds at 31 May 2002</b>	<u>339,286</u>	<u>780,629</u>

**ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 Jun 2001 £	Cash flows £	At 31 May 2002 £
Net cash:			
Cash in hand and at bank	973,952	(634,666)	339,286
Overdrafts	(193,323)	193,323	—
<b>Net funds</b>	<u>780,629</u>	<u>(441,343)</u>	<u>339,286</u>

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

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**1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention,.

**Consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

**Turnover**

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

**Intangible assets**

In accordance with FRS10 Accounting for Goodwill and Intangible Assets, purchased intellectual property rights have been capitalised at cost and amortised over their useful economic life.

**Amortisation**

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Intellectual property rights	- over 3 years
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**Depreciation**

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Freehold buildings	- over 20 years
Plant & equipment	- over 3 years
Office equipment and fittings	- over 3 years
Motor Vehicles	- over 3 years

**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.

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

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**1. ACCOUNTING POLICIES** *(continued)*

**Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

**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;

- \* provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- \* 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 a discounted/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.

**Foreign currencies**

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

**Research and development**

In accordance with SSAP13, if a clearly defined project with a separately identifiable related expenditure cannot be identified, and a project's technical, commercial and social feasibility cannot be assured, research and development expenditure is written off during the period in which it is incurred.

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

**2. TURNOVER**

The turnover and loss before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	3,918,156	5,661,743
E C Sales	777,582	1,287,590
Rest of the world sales	1,622,277	1,280,685
	<u>6,318,015</u>	<u>8,230,018</u>

**3. OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after charging/(crediting):

	2002	2001
	£	£
Amortisation	—	38,578
Depreciation	183,447	218,427
Profit on disposal of fixed assets	(1,921)	(4,872)
Auditors' remuneration		
- as auditors	20,920	29,118
Operating lease costs:		
Land and buildings	57,460	31,004
Net loss on foreign currency translation	<u>5,037</u>	<u>4,180</u>

**4. PARTICULARS OF EMPLOYEES**

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

	2002	2001
	No.	No.
Number of production staff	24	29
Number of administrative staff	53	57
Number of management staff	12	16
	<u>89</u>	<u>102</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,887,868	1,955,297
Social security costs	192,313	187,918
Other pension costs	227,980	201,182
	<u>2,308,161</u>	<u>2,344,397</u>

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31ST MAY 2002**

**5. DIRECTORS' EMOLUMENTS**

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

	2002 £	2001 £
Emoluments receivable	263,795	226,265
Value of company pension contributions to money purchase schemes	157,426	154,677
	<u>421,221</u>	<u>380,942</u>

**Emoluments of highest paid director:**

	2002 £	2001 £
Total emoluments (excluding pension contributions):	113,468	112,545
Value of company pension contributions to money purchase schemes	90,934	90,954
	<u>204,402</u>	<u>203,499</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2002 No.	2001 No.
Money purchase schemes	<u>3</u>	<u>2</u>

**6. INTEREST RECEIVABLE**

	2002 £	2001 £
Bank interest receivable	22,806	47,258
Other loan interest receivable	2,345	—
	<u>25,151</u>	<u>47,258</u>

**7. AMOUNTS WRITTEN OFF INVESTMENTS**

	2002 £	2001 £
Investment in group undertakings w/off	—	10,000
Total write off charge	<u>—</u>	<u>10,000</u>

**8. INTEREST PAYABLE**

	2002 £	2001 £
Interest payable on bank borrowing	143	361
Other similar charges payable	—	(187)
	<u>143</u>	<u>174</u>

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

**9. TAX ON LOSS OR PROFIT ON ORDINARY ACTIVITIES****Taxation**

	2002 £	2001 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	(55,645)	73,637
Corporation tax	(17,992)	—
Total current tax	(73,637)	73,637
(Decrease)/Increase in deferred tax provision		
Capital allowances (1,193)	59,163	
Losses (152,279)	—	
	(153,472)	59,163
Total deferred tax (note 18) (153,472)	59,163	
Tax on (loss)/profit on ordinary activities	(227,109)	132,800

**Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%).

	2002 £	2001 £
(Loss)/Profit on ordinary activities before taxation	(679,215)	108,790
Profit/(Loss) on ordinary activities by rate of tax.	(203,765)	32,637
Items not allowed for taxation	6,289	21,887
Additional relief allowable	(21,112)	(13,670)
Marginal Rate adjustment	7,258	(7,258)
Timing differences	3,410	22,050
Losses Carried Forward	152,274	—
Overprovision	(17,991)	17,991
Total Current Tax	(73,637)	73,637

**10. DIVIDENDS**

No dividend has been recommended for the year ended 31st May 2002.

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

**11. INTANGIBLE FIXED ASSETS**

	Intangible assets £
<b>COST</b>	
At 1st June 2001 and 31st May 2002	<u>115,735</u>
<b>AMORTISATION</b>	
At 1st June 2001	115,735
At 31st May 2002	<u>115,735</u>
<b>NET BOOK VALUE</b>	
At 31st May 2002	—
At 31st May 2001	—

These assets are intellectual property rights relating to the development of electronic lighting products. It is estimated that they might generate unimpaired income until 31st May 2002, after which they will fall into discontinuance as technology overtakes them. It is on this basis that intangible fixed assets are being amortised over 3 years.

**12. TANGIBLE FIXED ASSETS**

	Land and buildings £	Plant & Equipment £	Office Equipment & Fittings £	Motor Vehicles £	Total £
<b>COST</b>					
At 1 June 2001	756,837	470,235	435,630	342,912	2,005,614
Additions	—	32,076	40,966	44,297	117,339
Disposals	—	—	(100,678)	(79,370)	(180,048)
At 31 May 2002	<u>756,837</u>	<u>502,311</u>	<u>375,918</u>	<u>307,839</u>	<u>1,942,905</u>
<b>DEPRECIATION</b>					
At 1 June 2001	348,154	420,662	335,480	245,838	1,350,134
Charge for the year	20,413	29,677	63,574	69,783	183,447
On disposals	—	—	(100,678)	(71,791)	(172,469)
At 31 May 2002	<u>368,567</u>	<u>450,339</u>	<u>298,376</u>	<u>243,830</u>	<u>1,361,112</u>
<b>NET BOOK VALUE</b>					
At 31 May 2002	<u>388,270</u>	<u>51,972</u>	<u>77,542</u>	<u>64,009</u>	<u>581,793</u>
At 31 May 2001	<u>408,683</u>	<u>49,573</u>	<u>100,150</u>	<u>97,074</u>	<u>655,480</u>



**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31ST MAY 2002**

**12. TANGIBLE FIXED ASSETS** *(continued)*

The cost of Freehold Land incorporated in the above figures which is non-depreciable is as follows:

	£
At 1st June 2000 and 31st May 2001	185,000

**13. INVESTMENTS****Subsidiary undertakings**

	£
<b>COST:</b>	
At 1st June 2001 and 31st May 2002	12,002

**AMOUNTS WRITTEN OFF:**

At 1st June 2001 and 31st May 2002	10,000
------------------------------------	--------

**NET BOOK VALUE:**

At 31st May 2002	2,002
At 31st May 2001	2,002

**Subsidiary undertakings**

All held by the company:

	Country of incorporation	Share Holding	Proportion of voting rights and shares held	Nature of business
Microlights Holland BV	The Netherlands	Ordinary	100%	Display lighting
O2Light Limited	England	Ordinary	60%	Consultancy to Retail Stores
			<b>Microlights BV</b> Euros	<b>O2Light Limited</b> £
Share Capital			22,689	20,000
Profit and Loss Account			(843,335)	(7,308)
<b>DEFICIENCY</b>			(820,646)	12,692
Profit/(Loss) for the periods ended 31st May 2002			(5,312)	10,493

The subsidiaries do not hold shares in the parent company.

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**31ST MAY 2002**

**14. STOCKS**

	2002 £	2001 £
Raw Materials	362,627	413,984
Work in progress	26,761	23,350
Finished goods	366,982	574,143
	<u>756,370</u>	<u>1,011,477</u>

**15. DEBTORS**

	2002 £	2001 £
Trade debtors	1,588,471	1,406,914
Corporation tax repayable	70,468	—
VAT recoverable	24,033	7,685
Other debtors	36,886	2,964
Deferred tax (Note 18)	94,309	—
Prepayments and accrued income	63,969	70,860
	<u>1,878,136</u>	<u>1,488,423</u>

Included in trade debtors is an amount of £Nil which is due after more than one year (2001 - £Nil).

Included in trade debtors is a total of £149,651 (2001 £240,164) receivable from subsidiaries.

**18. DEFERRED TAXATION**

	2002 £	2001 £
The movement in the deferred taxation account during the year was:		
Balance brought forward	59,163	—
Profit and Loss Account movement arising during the year	(153,472)	59,163
Balance carried forward	<u>(94,309)</u>	<u>59,163</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	(57,970)	(59,163)
Tax losses available	152,279	—
	<u>94,309</u>	<u>(59,163)</u>

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**16. CREDITORS: Amounts falling due within one year**

	2002	2001
	£	£
Bank loans and overdrafts	—	193,323
Trade creditors	662,901	495,928
Other creditors including taxation and social security:		
Corporation tax	—	73,637
PAYE and social security	50,782	59,843
Dividends payable	—	37,200
Other creditors	62,950	21,542
	<u>113,732</u>	<u>192,222</u>
Accruals and deferred income	134,217	91,855
	<u>910,850</u>	<u>973,328</u>

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

	2002	2001
	£	£
Bank loans and overdrafts	—	<u>193,323</u>

The bank overdraft is secured by a charge on the freehold property.

**17. PENSIONS**

Pension costs are paid into defined contribution schemes. At the year end no contributions were outstanding and contributions into the scheme of £10,000 were prepaid.

**19. CONTINGENCIES**

The company's business involves the supply of electrical products, in order to maintain its position in the industry these products are the subject of continual development. Occasionally disputes arise over the suitability of new products and warranty claims in relation thereto. At the balance sheet date the directors consider that any such claims are not material to the company's affairs.

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**20. TRANSACTIONS WITH THE DIRECTORS**

	2002	2001
	£	£
Included in administrative expenses is an amount paid to Stanford Mill Management, in which Mr Norton has an interest, for management services supplied in the ordinary course of business.	12,449	24,259

**21. RELATED PARTY TRANSACTIONS**

The company was under the control of Mr R Millington throughout the current and the previous year. Mr Millington is the managing director and majority shareholder

**Transactions with subsidiaries**

The company has a wholly owned subsidiary, which purchases product from the parent for resale. Incorporated into the accounts are transactions during the year with its subsidiary in Holland as follows:

	Microlights BV
Sales	233,117

**22. SHARE CAPITAL****Authorised share capital:**

	2002	2001
	£	£
100,000 Ordinary shares shares of £0.10 each	10,000	10,000
7,200 8% Preference shares shares of £0.10 each	720	720
	<u>10,720</u>	<u>10,720</u>

	2002	2001
	£	£
Ordinary share capital	<u>3,720</u>	<u>3,720</u>

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**23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2002 £	2001 £
Loss for the financial year	(452,106)	(24,010)
Dividends	—	(37,200)
	<u>(452,106)</u>	<u>(61,210)</u>
Opening shareholders' equity funds	3,098,843	3,160,053
Closing shareholders' equity funds	<u>2,646,737</u>	<u>3,098,843</u>