

COMPANY REGISTRATION NUMBER 1794445

**MICROLIGHTS LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR**  
**31ST MAY 2006**



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

**MICROLIGHTS LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

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

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

**MICROLIGHTS LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31ST MAY 2006**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st May 2006.

**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.

Building on the successes of the business last year, growth continued with turnover increasing by 16% and profits increasing by 9% despite the higher than expected increase in overheads for the year ended 31 May 2006.

**FUTURE PROSPECTS**

The company is budgeting for a significant increase in turnover in the current year. At the date of these financial statements, turnover is running above 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 49% of Microlights LLC a company based in Dubai.

O2Light Limited did not trade in the year.

Microlights LLC traded well and the directors are satisfied with progress to date.

**KEY PERFORMANCE INDICATORS**

The company regularly monitors and reports on the following KPI's;

Debtor days; overall these are 72 as at the year end, the target figure is 63. The excess is due to increased overseas business.

Creditor days; these were 52 days at the year end, a 22% improvement on last year. The target figure is 45 days.

Stock turns; currently 8.1 against a target of 8.

Quick ratio; including stock this is running at 2.75.

These ratios are selected to demonstrate the strength of the company and the control over its Balance Sheet. The directors consider that they present a healthy reflection of the company's financial position.

**OVERSEAS BRANCHES**

The company operates a branch office in France, employing four staff. The directors are considering opening a branch office in Spain during the next twelve months.

**RESULTS AND DIVIDENDS**

The profit for the year amounted to £313,319. Particulars of dividends paid and proposed are detailed in note 10 to the financial statements.

# MICROLIGHTS LIMITED

## THE DIRECTORS' REPORT *(continued)*

**YEAR ENDED 31ST MAY 2006**

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company carries out no material financial risk management activities.

### THE DIRECTORS AND THEIR INTERESTS IN THE 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 of £0.10 each |                   |
|-------------------|-------------------------------|-------------------|
|                   | At<br>31 May 2006             | At<br>1 June 2005 |
| Mr R C Millington | 10,308                        | 13,200            |
| Mr R Norton       | 6,800                         | 6,800             |
| Mrs K Millington  | 8,892                         | 6,000             |
| Mr C M Brown      | -                             | -                 |
| Mr R C Brind      | -                             | -                 |

### 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 12 to the financial statements.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 11 to 13, and then apply them consistently;

make judgements 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.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**MICROLIGHTS LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31ST MAY 2006**

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**DONATIONS**

During the year the company made the following contributions:

|            | 2006      | 2005       |
|------------|-----------|------------|
|            | £         | £          |
| Charitable | <u>69</u> | <u>648</u> |

**AUDITOR**

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

Registered office:  
Elcot Lane  
Marlborough  
Wiltshire  
SN8 2BG

Signed by order of the directors



MR A BLAIR  
Company Secretary

Approved by the directors on 19th September 2006

**MICROLIGHTS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**MICROLIGHTS LIMITED**

**YEAR ENDED 31ST MAY 2006**

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We have audited the financial statements of Microlights Limited for the year ended 31st May 2006 on pages 7 to 23 which have been prepared on the basis of the accounting policies set out on pages 11 to 13.

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

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

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

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

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

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

**BASIS OF AUDIT OPINION**

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

**MICROLIGHTS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**MICROLIGHTS LIMITED** *(continued)*

**YEAR ENDED 31ST MAY 2006**

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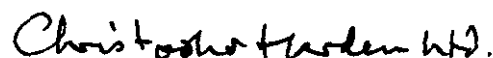
Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st May 2006 and of its profit for the year then ended;

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

the information given in the Directors' Report is consistent with the financial statements year ended 31st May 2006.

122a Nelson Road  
Whitton  
Middlesex  
TW2 7AY

19th September 2006

  
CHRISTOPHER HARDEN LIMITED  
Chartered Accountants  
& Registered Auditors



**MICROLIGHTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31ST MAY 2006**

|  | Note     | 2006<br>£      | 2005<br>£      |
|--|----------|----------------|----------------|
| <b>TURNOVER</b>                                      | <b>2</b> | 7,597,940      | 6,538,865      |
| Cost of sales  |          | 4,937,186      | 4,077,751      |
| <b>GROSS PROFIT</b>                                  |          | 2,660,754      | 2,461,114      |
| Distribution Costs                                   |          | 82,768         | 137,987        |
| Administrative expenses                              |          | 2,278,911      | 2,055,222      |
| Other operating income                               |          | (6,000)        | (2,629)        |
| <b>OPERATING PROFIT</b>                              | <b>3</b> | 305,075        | 270,534        |
| Interest receivable                                  | <b>6</b> | 8,245          | 11,791         |
| Amounts written off investments                      | <b>7</b> | (1,401)        | —              |
| Interest payable and similar charges                 | <b>8</b> | (1,104)        | (2,372)        |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |          | 310,815        | 279,953        |
| Tax on profit on ordinary activities                 | <b>9</b> | (2,504)        | (5,891)        |
| <b>PROFIT FOR THE FINANCIAL YEAR</b>                 |          | <u>313,319</u> | <u>285,844</u> |

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

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

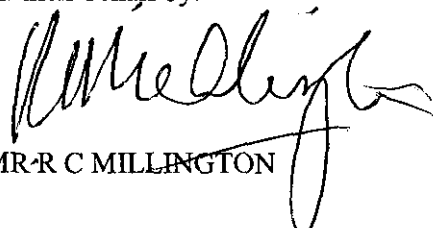
## MICROLIGHTS LIMITED

## BALANCE SHEET

31ST MAY 2006

|  | Note | 2006<br>£        | 2005<br>£        |
|--|------|------------------|------------------|
| <b>FIXED ASSETS</b>  |      |                  |                  |
| Intangible assets  | 11   | —                | —                |
| Tangible assets  | 12   | 530,586          | 466,359          |
| Investments  | 13   | 52,379           | 53,780           |
|  |      | <u>582,965</u>   | <u>520,139</u>   |
| <b>CURRENT ASSETS</b>  |      |                  |                  |
| Stocks   | 14   | 545,235          | 591,647          |
| Debtors  | 15   | 1,632,122        | 1,903,431        |
| Cash at bank and in hand                                       |      | 518,552          | 384,092          |
|  |      | <u>2,695,909</u> | <u>2,879,170</u> |
| <b>CREDITORS: Amounts falling due within one year</b>          | 16   | <u>1,000,991</u> | <u>1,312,498</u> |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>1,694,918</u> | <u>1,566,672</u> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>2,277,883</u> | <u>2,086,811</u> |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 17   | <u>5,864</u>     | <u>16,511</u>    |
|  |      | <u>2,272,019</u> | <u>2,070,300</u> |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |
| Called-up equity share capital                                 | 24   | 3,720            | 3,720            |
| Share premium account  | 25   | 34,200           | 34,200           |
| Profit and loss account  |      | 2,234,099        | 2,032,380        |
| <b>SHAREHOLDERS' FUNDS</b>                                     | 27   | <u>2,272,019</u> | <u>2,070,300</u> |

These financial statements were approved by the directors on the 19th September 2006 and are signed on their behalf by:

  
MR R C MILLINGTON

**MICROLIGHTS LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31ST MAY 2006**

|   | 2006      |           | 2005     |
|---|-----------|-----------|----------|
|   | £         | £         | £        |
| <b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>                            |           | 396,888   | 255,831  |
| <b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>                      |           |           |          |
| Interest received   | 8,245     |           | 11,791   |
| Interest paid   | (1,104)   |           | (1,718)  |
| Interest element of finance leases  | —         |           | (654)    |
| <b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b> |           | 7,141     | 9,419    |
| <b>TAXATION</b>   |           | 4,071     | 5,891    |
| <b>CAPITAL EXPENDITURE</b>  |           |           |          |
| Payments to acquire tangible fixed assets                                   | (194,186) |           | (83,113) |
| Receipts from sale of fixed assets  | 5,801     |           | 3,439    |
| <b>NET CASH OUTFLOW FROM CAPITAL EXPENDITURE</b>                            |           | (188,385) | (79,674) |
| <b>ACQUISITIONS AND DISPOSALS</b>   |           |           |          |
| Acquisition of shares in group undertakings                                 | —         |           | (10,319) |
| Disposal of shares in group undertakings                                    | —         |           | 9,999    |
| <b>NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS</b>                     |           | —         | (320)    |
| <b>EQUITY DIVIDENDS PAID</b>  |           | (74,400)  | (37,200) |
| <b>CASH INFLOW BEFORE FINANCING</b>   |           | 145,315   | 153,947  |
| <b>FINANCING</b>  |           |           |          |
| Capital element of finance leases   | (10,855)  |           | (8,974)  |
| <b>NET CASH OUTFLOW FROM FINANCING</b>                                      |           | (10,855)  | (8,974)  |
| <b>INCREASE IN CASH</b>   |           | 134,460   | 144,973  |

The notes on pages 11 to 23 form part of these financial statements.

**MICROLIGHTS LIMITED**  
**CASH FLOW STATEMENT** *(continued)*  
**YEAR ENDED 31ST MAY 2006**

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

|  | 2006           | 2005           |
|--|----------------|----------------|
|  | £              | £              |
| Operating profit                                 | 305,075        | 270,534        |
| Depreciation                                     | 129,958        | 131,297        |
| Profit on disposal of fixed assets               | (5,800)        | (2,629)        |
| Decrease/(increase) in stocks                    | 46,412         | (46,539)       |
| Decrease/(increase) in debtors                   | 271,309        | (530,639)      |
| (Decrease)/increase in creditors                 | (350,066)      | 433,807        |
| <b>Net cash inflow from operating activities</b> | <u>396,888</u> | <u>255,831</u> |

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

|   | 2006           | 2005           |
|---|----------------|----------------|
|   | £              | £              |
| Increase in cash in the period            | 134,460        | 144,973        |
| Cash outflow in respect of finance leases | <u>10,855</u>  | <u>8,974</u>   |
|   | 145,315        | 153,947        |
| <b>Change in net funds</b>                | 145,315        | 153,947        |
| <b>Net funds at 1 June 2005</b>           | 357,906        | 203,959        |
| <b>Net funds at 31 May 2006</b>           | <u>503,221</u> | <u>357,906</u> |

**ANALYSIS OF CHANGES IN NET FUNDS**

|                          | At<br>1 Jun 2005 | Cash flows<br>£ | At<br>31 May 2006 |
|--------------------------|------------------|-----------------|-------------------|
|                          | £                | £               | £                 |
| Net cash:                |                  |                 |                   |
| Cash in hand and at bank | 384,092          | 134,460         | 518,552           |
| Debt:                    |                  |                 |                   |
| Finance lease agreements | (26,186)         | 10,855          | (15,331)          |
| <b>Net funds</b>         | <u>357,906</u>   | <u>145,315</u>  | <u>503,221</u>    |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

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**1. ACCOUNTING POLICIES**

**Basis of accounting**

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

**Changes in accounting policies**

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date (IAS 10)'; and

-the presentation requirements of 'FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'".

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

This change in accounting policy has not resulted in a prior year adjustment for the company.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

The company had no transactions during the year that fall within the scope of Financial Instruments.

**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.

**MICROLIGHTS LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS

**YEAR ENDED 31ST MAY 2006**

## 1. ACCOUNTING POLICIES (continued)

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

## Fixed assets

All fixed assets are initially recorded at cost.

## 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.

### Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

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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.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**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.

**Financial instruments**

The company had no transactions during the year that fall within the scope of Financial Instruments.

**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**  
**YEAR ENDED 31ST MAY 2006**

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**2. TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the company.  
 An analysis of turnover is given below:

|                         | 2006             | 2005             |
|-------------------------|------------------|------------------|
|                         | £                | £                |
| United Kingdom          | 4,537,639        | 4,079,914        |
| E C Sales               | 1,926,732        | 1,299,241        |
| Rest of the world sales | 1,133,569        | 1,159,710        |
|                         | <u>7,597,940</u> | <u>6,538,865</u> |

**3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

|  | 2006         | 2005            |
|--|--------------|-----------------|
|  | £            | £               |
| Depreciation of owned fixed assets                         | 116,124      | 117,464         |
| Depreciation of assets held under finance lease agreements | 13,834       | 13,833          |
| Profit on disposal of fixed assets                         | (5,800)      | (2,629)         |
| Auditor's remuneration                                     |              |                 |
| - as auditor   | 11,574       | 17,131          |
| Operating lease costs:                                     |              |                 |
| Other  | 7,854        | 7,662           |
| Net loss/(profit) on foreign currency translation          | <u>1,106</u> | <u>(13,683)</u> |



**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

**4. PARTICULARS OF EMPLOYEES**

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

|                                | <b>2006</b> | <b>2005</b> |
|--------------------------------|-------------|-------------|
|                                | <i>No</i>   | <i>No</i>   |
| Number of production staff     | 24          | 17          |
| Number of administrative staff | 40          | 35          |
| Number of management staff     | 9           | 9           |
|                                | <u>73</u>   | <u>61</u>   |

The aggregate payroll costs of the above were:

|                       | <b>2006</b>      | <b>2005</b>      |
|-----------------------|------------------|------------------|
|                       | <i>£</i>         | <i>£</i>         |
| Wages and salaries    | 1,526,584        | 1,340,546        |
| Social security costs | 199,392          | 187,251          |
| Other pension costs   | 79,637           | 71,544           |
|                       | <u>1,805,613</u> | <u>1,599,341</u> |

**5. DIRECTORS' EMOLUMENTS**

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

|  | <b>2006</b>   | <b>2005</b>   |
|--|---------------|---------------|
|  | <i>£</i>      | <i>£</i>      |
| Emoluments receivable  | 62,395        | 53,451        |
| Value of company pension contributions to money purchase schemes | 5,148         | 5,071         |
|  | <u>67,543</u> | <u>58,522</u> |

The number of directors who accrued benefits under company pension schemes was as follows:

|                        | <b>2006</b> | <b>2005</b> |
|------------------------|-------------|-------------|
|                        | <i>No</i>   | <i>No</i>   |
| Money purchase schemes | <u>1</u>    | <u>1</u>    |

**6. INTEREST RECEIVABLE**

|                          | <b>2006</b>  | <b>2005</b>   |
|--------------------------|--------------|---------------|
|                          | <i>£</i>     | <i>£</i>      |
| Bank interest receivable | <u>8,245</u> | <u>11,791</u> |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. AMOUNTS WRITTEN OFF INVESTMENTS**

|  | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Investment in group undertakings w/off | 1,401     | —         |

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

|                                    | 2006<br>£    | 2005<br>£    |
|------------------------------------|--------------|--------------|
| Interest payable on bank borrowing | 554          | 1,522        |
| Finance charges                    | —            | 654          |
| Other similar charges payable      | 550          | 196          |
|                                    | <u>1,104</u> | <u>2,372</u> |

**9. TAXATION ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

|  | 2006<br>£      | 2005<br>£      |
|--|----------------|----------------|
| Current tax:   |                |                |
| UK Corporation tax based on the results for the year at 19% (2005 - 30%) | 1,567          | —              |
| Over/under provision in prior year                                       | (4,071)        | (5,891)        |
| Total current tax  | <u>(2,504)</u> | <u>(5,891)</u> |

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2005 - 30%).

|   | 2006<br>£      | 2005<br>£      |
|---|----------------|----------------|
| Profit on ordinary activities before taxation       | <u>310,815</u> | <u>279,953</u> |
| Profit/(loss) on ordinary activities by rate of tax | 59,055         | 83,986         |
| Items not allowed for taxation                      | 1,009          | —              |
| Timing differences                                  | 3,817          | —              |
| Overprovision                                       | (4,071)        | —              |
| Research and development relief                     | —              | (5,891)        |
| Losses brought forward from earlier years           | (62,314)       | (83,986)       |
| Total current tax (note 9(a))                       | <u>(2,504)</u> | <u>(5,891)</u> |

**MICROLIGHTS LIMITED**  
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**10. DIVIDENDS****Dividends on equity shares**

|  | 2006<br>£     | 2005<br>£     |
|--|---------------|---------------|
| Paid during the year                                 |               |               |
| Equity dividends on ordinary shares                  | <u>37,200</u> | <u>37,200</u> |
| Proposed at the year-end (recognised as a liability) |               |               |
| Equity dividends on ordinary shares                  | <u>74,400</u> | <u>37,200</u> |

**11. INTANGIBLE FIXED ASSETS**

|                                    | Intangible assets<br>£ |
|------------------------------------|------------------------|
| <b>COST</b>                        |                        |
| At 1st June 2005 and 31st May 2006 | <u>115,735</u>         |
| <b>AMORTISATION</b>                |                        |
| At 1st June 2005 and 31st May 2006 | <u>(115,735)</u>       |
| <b>NET BOOK VALUE</b>              |                        |
| At 31st May 2006                   | <u>—</u>               |
| At 31st May 2005                   | <u>—</u>               |

**12. TANGIBLE FIXED ASSETS**

|                       | Land and<br>buildings<br>£ | Plant &<br>Equipment<br>£ | Office<br>Equipment<br>& Fittings<br>£ | Motor<br>Vehicles<br>£ | Total<br>£       |
|-----------------------|----------------------------|---------------------------|--|------------------------|------------------|
| <b>COST</b>           |                            |                           |  |                        |                  |
| At 1 June 2005        | 756,837                    | 560,213                   | 440,214                                | 188,940                | 1,946,204        |
| Additions             | 6,305                      | 101,158                   | 71,812                                 | 14,911                 | 194,186          |
| Disposals             | —                          | (14,916)                  | —                                      | (16,097)               | (31,013)         |
| <b>At 31 May 2006</b> | <u>763,142</u>             | <u>646,455</u>            | <u>512,026</u>                         | <u>187,754</u>         | <u>2,109,377</u> |
| <b>DEPRECIATION</b>   |                            |                           |  |                        |                  |
| At 1 June 2005        | 429,807                    | 541,622                   | 382,680                                | 125,736                | 1,479,845        |
| Charge for the year   | 21,288                     | 25,805                    | 40,622                                 | 42,243                 | 129,958          |
| On disposals          | —                          | (14,915)                  | —                                      | (16,097)               | (31,012)         |
| <b>At 31 May 2006</b> | <u>451,095</u>             | <u>552,512</u>            | <u>423,302</u>                         | <u>151,882</u>         | <u>1,578,791</u> |
| <b>NET BOOK VALUE</b> |                            |                           |  |                        |                  |
| At 31 May 2006        | <u>312,047</u>             | <u>93,943</u>             | <u>88,724</u>                          | <u>35,872</u>          | <u>530,586</u>   |
| At 31 May 2005        | <u>327,030</u>             | <u>18,591</u>             | <u>57,534</u>                          | <u>63,204</u>          | <u>466,359</u>   |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

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**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 2005 and 31st May 2006 | 185,000           |
|                                    | <u>          </u> |

**Finance lease agreements**

Included within the net book value of £530,586 is £7,566 (2005 - £21,400) relating to assets held under finance lease agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,834 (2005 - £13,833).

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

|                                    |                   |
|------------------------------------|-------------------|
|                                    | £                 |
| <b>COST</b>                        |                   |
| At 1st June 2005 and 31st May 2006 | 74,159            |
|                                    | <u>          </u> |

**AMOUNTS WRITTEN OFF**

|                     |                   |
|---------------------|-------------------|
| At 1st June 2005    | 20,379            |
| Written off in year | 1,401             |
|                     | <u>          </u> |
| At 31st May 2006    | 21,780            |
|                     | <u>          </u> |

**NET BOOK VALUE**

|                  |                   |
|------------------|-------------------|
| At 31st May 2006 | 52,379            |
|                  | <u>          </u> |
| At 31st May 2005 | 53,780            |
|                  | <u>          </u> |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. INVESTMENTS** *(continued)***Subsidiary undertakings**

All held by the company:

|                 | Country of<br>incorporation | Share<br>Holding | Proportion<br>of voting<br>rights and<br>shares held | Nature of business |
|-----------------|-----------------------------|------------------|--|--------------------|
| O2Light Limited | England                     | Ordinary         | 100%   | Dormant            |
| Microlights LLC | Dubai                       | Ordinary         | 49%  | Display Lighting   |

**Microlights LLC**  
£

|                         |         |
|-------------------------|---------|
| Share Capital           | 58,715  |
| Profit and Loss Account | (4,936) |

**SHAREHOLDERS FUNDS**

53,779

Profit/(Loss) for the year ended  
31st May 2006

300

The subsidiaries do not hold shares in the parent company.

**14. STOCKS**

|                  | 2006<br>£      | 2005<br>£      |
|------------------|----------------|----------------|
| Raw materials    | 264,849        | 268,328        |
| Work in progress | 30,050         | 31,707         |
| Finished goods   | 250,336        | 291,612        |
|                  | <u>545,235</u> | <u>591,647</u> |

**15. DEBTORS**

|                                    | 2006<br>£        | 2005<br>£        |
|------------------------------------|------------------|------------------|
| Trade debtors                      | 1,317,420        | 1,445,928        |
| Amounts owed by group undertakings | 233,794          | 332,938          |
| VAT recoverable                    | 12,855           | 47,444           |
| Other debtors                      | 7,856            | 37,816           |
| Prepayments and accrued income     | 60,197           | 39,305           |
|                                    | <u>1,632,122</u> | <u>1,903,431</u> |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. CREDITORS: Amounts falling due within one year**

|   | 2006             | 2005             |
|---|------------------|------------------|
|   | £                | £                |
| Trade creditors   | 624,216          | 973,339          |
| Other creditors including taxation and social security: |                  |                  |
| Corporation tax   | 1,567            | -                |
| PAYE and social security                                | 35,717           | 36,637           |
| Finance lease agreements                                | 9,467            | 9,675            |
| Dividends payable                                       | 74,400           | 37,200           |
| Other creditors   | 1,624            | 3,110            |
| Other creditors   | 34,138           | 61,347           |
|   | <u>156,913</u>   | <u>147,969</u>   |
| Accruals and deferred income                            | 219,862          | 191,190          |
|   | <u>1,000,991</u> | <u>1,312,498</u> |

**17. CREDITORS: Amounts falling due after more than one year**

|                          | 2006         | 2005          |
|--------------------------|--------------|---------------|
|                          | £            | £             |
| Other creditors:         |              |               |
| Finance lease agreements | <u>5,864</u> | <u>16,511</u> |

**18. COMMITMENTS UNDER FINANCE LEASE AGREEMENTS**

Future commitments under finance lease agreements are as follows:

|                                      | 2006          | 2005          |
|--------------------------------------|---------------|---------------|
|                                      | £             | £             |
| Amounts payable within 1 year        | 9,467         | 9,675         |
| Amounts payable between 2 to 5 years | 5,864         | 16,511        |
|                                      | <u>15,331</u> | <u>26,186</u> |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**19. PENSIONS**

Pension costs are paid into defined contribution schemes. At the year end no contributions were outstanding and no contributions were prepaid.

**20. COMMITMENTS UNDER OPERATING LEASES**

At 31st May 2006 the company had annual commitments under non-cancellable operating leases as set out below.

|                                | 2006                                  |                              | 2005                                  |                              |
|--------------------------------|---------------------------------------|------------------------------|---------------------------------------|------------------------------|
|                                | <b>Land &amp;<br/>Buildings<br/>£</b> | <b>Other<br/>Items<br/>£</b> | <b>Land &amp;<br/>Buildings<br/>£</b> | <b>Other<br/>Items<br/>£</b> |
| Operating leases which expire: |                                       |                              |                                       |                              |
| Within 1 year                  | -                                     | 2,586                        | -                                     | -                            |
| Within 2 to 5 years            | 6,575                                 | -                            | -                                     | 5,172                        |
| After more than 5 years        | -                                     | -                            | 6,857                                 | -                            |
|                                | <u>6,575</u>                          | <u>2,586</u>                 | <u>6,857</u>                          | <u>5,172</u>                 |

**21. 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.

**22. TRANSACTIONS WITH THE DIRECTORS**

2006

£

Included in administrative expenses  
are the following amounts for consultancy  
fees supplied in the ordinary course of  
business.

|              |              |
|--------------|--------------|
| K Millington | 832          |
| R Millington | 4,697        |
| R Norton     | 2,960        |
|              | <u>=====</u> |

**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

**23. RELATED PARTY TRANSACTIONS**

The company was not under the control of any individual during the current year.

**Transactions with subsidiaries**

The company has a 49% owned subsidiary which purchases product from the parent for resale. Incorporated into the accounts are transactions during the year with its subsidiary in Dubai as follows:

|  | Microlights LLC (Dubai) |
|--|-------------------------|
| Sales                                  | <u>624,660</u>          |
| Amount due from subsidiary at year end | <u>233,794</u>          |

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

|  | 2006<br>£     | 2005<br>£     |
|--|---------------|---------------|
| 100,000 Ordinary shares of £0.10 each    | 10,000        | 10,000        |
| 7,200 8% Preference shares of £0.10 each | 720           | 720           |
|  | <u>10,720</u> | <u>10,720</u> |

**Allotted, called up and fully paid:**

|                               | 2006<br>No    | £            | 2005<br>No    | £            |
|-------------------------------|---------------|--------------|---------------|--------------|
| Ordinary shares of £0.10 each | <u>37,200</u> | <u>3,720</u> | <u>37,200</u> | <u>3,720</u> |
| <b>Equity shares</b>          |               |              |               |              |
| Ordinary shares of £0.10 each | <u>37,200</u> | <u>3,720</u> | <u>37,200</u> | <u>3,720</u> |

**25. SHARE PREMIUM ACCOUNT**

There was no movement on the share premium account during the financial year.

**26. PROFIT AND LOSS ACCOUNT**

|                                    | 2006<br>£        | 2005<br>£        |
|------------------------------------|------------------|------------------|
| Balance brought forward            | 2,032,380        | 1,820,936        |
| Profit for the financial year      | 313,319          | 285,844          |
| Equity dividends proposed (FRS 25) | (74,400)         | (37,200)         |
| Equity dividends paid (FRS 25)     | (37,200)         | (37,200)         |
| Balance carried forward            | <u>2,234,099</u> | <u>2,032,380</u> |



**MICROLIGHTS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MAY 2006**

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

|                                     | 2006             | 2005             |
|-------------------------------------|------------------|------------------|
|                                     | £                | £                |
| Profit for the financial year       | 313,319          | 285,844          |
| Equity dividends proposed (FRS 25)  | (74,400)         | (37,200)         |
| Equity dividends paid (FRS 25)      | (37,200)         | (37,200)         |
| Net addition to shareholders' funds | 201,719          | 211,444          |
| Opening shareholders' funds         | 2,070,300        | 1,858,856        |
| Closing shareholders' funds         | <u>2,272,019</u> | <u>2,070,300</u> |