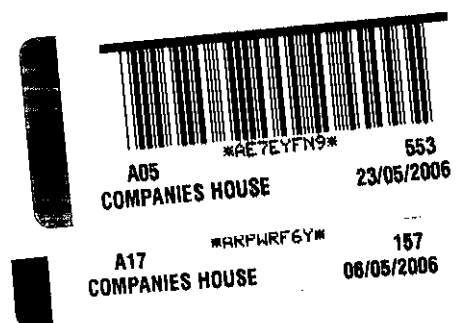


Light Blue Optics Limited

Report and Accounts

31 March 2005



Light Blue Optics Limited

Registered no: 05018807

DIRECTORS

Edward Buckley
Nicholas Lawrence
Adrian Cable
Peter Mash
Ian Collins

SECRETARY

Edward Buckley

REGISTERED OFFICE

St John's Innovation Centre
Cowley Road
Cambridge
CB4 0WS

Light Blue Optics Limited

DIRECTOR'S REPORT

The directors present their report and accounts for the period from incorporation to 31 March 2005. The company was incorporated on 19th January 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year has been the design and development of miniature video projectors.

DIRECTORS AND THEIR INTERESTS

The directors at 31 March 2005 and their interests in the ordinary share capital of the company were as follows:

	<i>At 31 March 2005 Ordinary shares</i>
Edward Buckley (appointed 19 January 2004)	100
Nicholas Lawrence (appointed 19 January 2004)	100
Adrian Cable (appointed 19 January 2004)	100
Peter Mash (appointed 19 January 2004)	100

Ian Collins acquired 40 shares on 17 September 2004 and was appointed as a director on 20 December 2005.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the accounts 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 accounts comply with the Companies Act 1985. They 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.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



Edward Buckley
Secretary

Date

20/05/06.

Light Blue Optics Limited

PROFIT AND LOSS ACCOUNT for the period ended 31 March 2005

	<i>Notes</i>	<i>Period to 31 March 2005 £</i>
Sundry income		6,000
Administrative expenses		17,428
OPERATING LOSS	2	(11,428)
Interest receivable		233
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(11,195)
Tax on loss on ordinary activities	3	-
LOSS FOR THE FINANCIAL PERIOD	8	(11,195)

There are no recognised gains and losses other than the loss of £11,195 for the period.

Light Blue Optics Limited

BALANCE SHEET

at 31 March 2005

	Notes	2005 £
FIXED ASSETS		
Tangible assets	4	1,255
CURRENT ASSETS		
Debtors	5	1,053
Cash at bank and in hand		13,551
		14,604
CREDITORS: amounts falling due within one year	6	(26,250)
NET CURRENT LIABILITIES		(11,646)
NET LIABILITIES		(10,391)
CAPITAL AND RESERVES		
Called up share capital	7	4
Share premium account	8	800
Profit and loss account	8	(11,195)
Equity shareholder's funds	8	(10,391)

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

For the period ended 31 March 2005 the company is entitled to the exemption from an annual audit permitted by subsection (1) of section 249A of the Companies Act 1985 and no notice has been deposited under subsection (2) of section 249B by a member requiring an audit. The directors are responsible for keeping accounting records which comply with section 221 of the Companies Act 1985 and for preparing accounts which give a true and fair view and which otherwise comply with the requirements of the Companies Act 1985 applicable to small companies.



NIC LAWRENCE
Director

Date 22/05/06

NOTES TO THE ACCOUNTS
at 31 March 2005

1. ACCOUNTING POLICIES

Going concern

The Directors acknowledge the fact that the company is a going concern only to the extent that they are prepared and able to meet its liabilities as they fall due. Subsequent to the year-end equity has been raised and the company has received a grant.

Accounting convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Computer Equipment - 3 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred taxation 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 right to pay less or to receive more, tax, with following exceptions:

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.

2. OPERATING LOSS

This is stated after charging:

	2005 £
Directors' remuneration	3,000
Depreciation of tangible fixed assets	251
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There were no pension scheme payments to directors during the period

Light Blue Optics Limited

NOTES TO THE ACCOUNTS at 31 March 2005

3. TAXATION

	2005 £
Corporation tax at 19%	-

There are approximately £11,000 of tax losses to carry forward.

4. TANGIBLE FIXED ASSETS

	Computer Equipment £
Cost:	
Additions	1,506
At 31 March 2005	1,506
Depreciation:	
Provided during the period	251
At 31 March 2005	251
Net book amount:	
At 31 March 2005	1,255

5. DEBTORS

	2005 £
Other Debtors & Prepayments	1,053
	1,053

Light Blue Optics Limited

NOTES TO THE ACCOUNTS at 31 March 2005

6. CREDITORS: amounts falling due within one year

	<i>2005</i> £
Loan notes	25,000
Other creditors and accruals	1,250
	<u>26,250</u>

Loan Notes

These represent two loans. In the original loan agreements, one loan, of £10,000, was repayable by 31 March 2005 or convertible into shares prior to this date in the event of a Third Party Investment at a rate of conversion equal to the price of the next Third Party Investment. The second loan, of £15,000, was repayable by 31 March 2005 or convertible into shares prior to this date in the event of a Third Party Investment at a rate of conversion equal to the price of the next Third Party Investment less 25%.

Both loans were interest free and unsecured.

The term of the loan for £10,000 was subsequently extended informally and repaid on 27 June 2005. The term of the second loan for £15,000 was extended formally by agreement and repaid on 1 August 2005.

7. SHARE CAPITAL

	<i>Authorised</i> <i>2005</i> £
2,600,000 ordinary shares of £0.01 each	<u>26,000</u>

The Share Capital was increased from 400 shares on incorporation to a total of 2,600,000 ordinary shares of £0.01 by written resolution on 16 September 2004.

	<i>Allotted, called up and fully paid</i> <i>2005</i> £
440 ordinary shares of £0.01 each	<u>4</u>

400 shares were issued on incorporation on 19 January 2004.

40 shares were issued at a premium of £799.60 on 17 September 2004 to I Collins who was subsequently appointed as a Director on 20 December 2005.

Light Blue Optics Limited

NOTES TO THE ACCOUNTS at 31 March 2005

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i> £	<i>Share premium</i> £	<i>Profit and loss account</i> £	<i>Total</i> £
Shares Issued	4	-	-	4
Share Premium	-	800	-	800
Loss for the period	-	-	(11,195)	(11,195)
At 31 March 2005	<u>4</u>	<u>800</u>	<u>(11,195)</u>	<u>(10,391)</u>

9. POST BALANCE SHEET EVENTS

Subsequent to the year-end further shares have been issued resulting in a total investment of £147,071.

On 13 April 2006 the company received £15,000 being the first instalment of a DTI grant for £75,000 to help fund research and development.