

Company No: 05388153

ERUMA PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

JEFFREYS HENRY LLP
Finsgate
5 –7 Cranwood Street
London EC1V 9EE

ERUMA PLC

COMPANY INFORMATION

Registered Office	Unit 4 Shepherdess Walk Buildings Underwood Street London N1 7LG
Directors	David Alexander Kevin Coffey Alan Davis Wayne Money David Tilman Brian Wilkins
Company Secretary	Wayne Money
Broker and Nominated Advisor	Cairn Financial Advisors LLP 61 Cheapside London EC2V 6AX
Solicitors to the Company	Reynolds Porter Chamberlain LLP Tower Bridge House St. Katharine's Way London E1W 1AA Pitmans LLP 1 Crown Court 66 Cheapside London EC2V 6LR
Auditors	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London EC1V 9EE
Principal Bankers	NatWest Bank Plc 2 - 3 Upper Street Islington London N1 0PH
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Website	www.erumapl.com

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Chairman's Report

Introduction and Financial Results

Eruma plc, as a specialist solutions provider of counter terrorism, intruder prevention and intelligent lighting solutions and energy saving products, has the ability to save lives, reduce risk, prevent disruption and loss, and dramatically reduce energy consumption and consequently the ongoing operating costs of businesses. We believe this represents a compelling proposition to any organisation seeking innovative ways to improve their businesses performance and protect their assets.

During 2010 we continued to take our products and message to market in line with our business plan which is designed to achieve operational profitability and further expansion of our addressable market and portfolio of solutions. Whilst we did not achieve operational profitability we achieved some significant milestones throughout the year that demonstrate significant progress towards our goals. In 2010 we achieved in comparison to 2009 the following:-

- a 25% increase in revenue from £966,000 to £1,206,000
- a 35% increase in gross profit from £346,000 to £468,000
- an improvement in gross profit percentage from 36% to 39%
- a 10% reduction in distribution and administration expenses
- a 25% reduction in our loss before tax from £945,000 to £713,000
- a 44% reduction in loss per share (basic and fully diluted)

We made much progress in the period in both in the UK and overseas. This, combined with significant new contract wins for our intelligent lighting, counter terrorism and intruder prevention solutions, the restructuring of our share capital and the raising of additional working capital, provided for a strong platform to finish the year.

We continued to make improvements to our operational efficiency and production processes which improved our gross profit percentage overall, in spite of tough economic climate. This was further helped by better tracking systems for development expenditure across the whole business.

Unfortunately, like many other businesses, we were impacted severely by the adverse weather conditions that started in December in the United Kingdom. This frustrated our efforts to complete new sales and critically to install orders already placed by clients. This was due in most part to closure of clients' facilities and lack of accessibility to key decision makers in relation to new business. This placed a significant burden on the business in terms of cash flow and put pressure on our working capital.

In spite of these challenges the directors and employees of Eruma plc and its subsidiaries continued to demonstrate total commitment to the success of the business and servicing client's requirements.

Security Blinds

Our operating division trading as Security Blinds manufactures physical systems that provide protection from multiple threats ranging from burglary and ram raids, to blasts from terrorist attacks and other forms of explosions.

We continued our push forward with international business development; especially where the continued and growing threat of terrorism is a reality on a daily basis and saw a significant increase in our sales pipeline and some significant new contract wins.

Illuminex

Our operating division trading as Illuminex manufactures intelligent lighting solutions that reduce costs through saving energy and concurrently reducing carbon footprint of organisations using them.

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We have been successful in winning significant contracts in a range of market sectors where our solutions orientated approach delivers real savings and value to and organisation which makes it easy to see the return on investment.

Illuminex is now delivering revenue to the business and a strong pipeline of opportunities, which are contributing well to improving the overall move towards profitability for the business.

Our development of tools to assist in calculating return on investment models for our clients have helped them understand the true cost of the energy and the total carbon foot print they generate from their lighting solutions. This shows clearly how our products can provide significant reductions in carbon footprint and running costs with payback periods that make for a compelling economic and environmental argument in favour of investing our in our solutions.

A number of our clients are making use of the Carbon Trust funding schemes such as Salix in the public sector and other schemes for the SME markets which offer them access to interest free funds to so they can invest in our solutions sooner and realise the benefits they afford in protection and energy reduction.

Fundraising

During the period the Company sought a number of means of raising additional working capital to support the businesses operational requirements and journey towards operational profitability, this ranged from trade finance facilities, other short term loans and the restructuring of its share capital and issue of new shares.

We restructured our share capital through a twenty for one share consolidation and raised £576,000 through the issue of 6,655,554 shares during the year at a price of nine pence a share.

We are continuing to explore routes to trade finance, as we believe this is an increasingly important element of our business development plans in international markets as well as other routes to raise finance.

The Board

The board has remained stable and focused and committed to the execution of the business plan and the drive towards improved performance. Throughout the year the board members have made many personal sacrifices in the interest of the company and its shareholders including waiving in large part their salary for the majority of 2010 and I would personally like to thank each of them for their contribution and commitment in what can only be described as a pivotal year for the company in its quest towards operational profitability.

We successfully recruited a new finance director, David Tilman who also invested in the company prior to joining as Finance Director. David, a chartered accountant, brings a wealth of expertise from over twenty years in related industries.

Outlook

2010 was about continuing the good progress made in 2009 and ensuring we have a solid platform for growth on 2011. Whilst we did not achieve operational profitability all of our other key indicators improved significantly.

We have seen significant growth in our pipeline, our operational efficiency and the recognition of the value of our products to our clients increases steadily. We continue to see repeat orders from existing clients where our solutions are designed in or specified as the standard solution, which is reducing our cost of sales.

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We believe that 2011 is a significant year for the business in terms of a tipping point as both operating divisions are delivering orders and revenue back to business and we are seeing cross over opportunities between the operating divisions emerge which has long been recognised as a significant potential upside for the business.

We believe our business's overall potential in 2011 is significant and we continue to work towards operational profitability and ensure that we maintain the right level of working capital to aid the businesses growth.

David E Alexander
Non-Executive Chairman
3 May 2011

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Directors' Report

The directors present their annual report and the audited financial statements for the year to 31 December 2010.

Principal activities

The principal activities of the Group are the manufacture and installation of security blinds, emergency lighting systems and energy saving lighting solutions.

Review of business and future developments

A review of the Group's business during the financial period and its likely developments are given in the Chairman Report on page 2.

Group loss before tax for the financial period, prepared under accounting policies outlined on pages 21 to 43, was £713,000 (2009 - £945,000).

Eruma plc continues to trade using the Security Blinds and Illuminex brands.

Key performance indicators

Revenue for 2010 was £1,206,000, compared to £966,000 for the previous year. Gross profit was £468,000 (39%) compared to £346,000 (36%) in 2009. The reasons for the increases are discussed in detail in the Chairman's Report on page 2.

Key risks and uncertainties

The directors are optimistic of continued revenue growth in 2011. In addition it is anticipated that there will be continued international growth due to our channel development in key markets.

The key risks to the business are seen as follows:

- * Ensuring adequate funding to maintain supplier relationships and provide working capital to support volume growth
- * Ensuring sales prices reflect increases in raw material prices to maintain margins and to control sales discounts
- * With the increase in exports ensuring the currency risk is managed through forward sales contracts and/or currency accounts
- * Negotiating appropriate purchase prices for raw materials and ensuring dual sourcing is available to maintain competitive prices
- * Ensuring manufacturing and installation operations are operated as efficiently as possible

Each of the above areas are reviewed regularly at board meetings and managed by the executive management team. Policies and procedures have been developed where appropriate to assist management control the business effectively.

The key uncertainties relate to the timing of contracts awards and external influences on material input prices.

The board has a policy of ongoing fund raising to ensure adequate funding is available. Current fund raising plans are designed to support the growth expected in 2011 and beyond.

Proposed dividend

The directors did not recommend the payment of a dividend during the year.

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Directors and directors' interest

The directors who held office during the year were as follows:

David Alexander

Philip Barnett (resigned 7 June 2010)

Kevin Coffey

Alan Davis

Wayne Money

David Tilman (appointed 1 October 2010)

Brian Wilkins

Directors' Report (continued) Details of directors' beneficial interest in shares are as follows

	New Ordinary Shares of 1p 31 December 2010	Ordinary shares of 1p 31 December 2009
Kevin Coffey	188,750	4,150,000
Alan Davis	517,882	1,468,751
Wayne Money	1,316,842	15,425,773
David Tilman	1,500,000	
Brian Wilkins	753,018	15,060,350

The beneficial holdings disclosed include, where applicable, the holdings of immediate family.

As at 31 December 2010 the Company had granted the following options and warrants to the directors of the company:

	Exercise Price per New Ordinary Share	Number of New Ordinary Shares under option	Type	Grant Date
David Alexander	120p	20,000	Warrants	20 June 2007
	22.5p	130,000	Warrants	17 March 2009
	28p	212,857	Warrants	29 October 2009
Kevin Coffey	130p	53,846	Warrants	12 November 2007
	28p	155,357	Warrants	29 October 2009
Alan Davis	120p	20,000	Warrants	1 October 2005
	120p	30,000	Warrants	14 August 2006
	160p	15,000	Warrants	31 December 2006
	120p	37,500	Warrants	15 March 2007
	28p	224,143	Warrants	29 October 2009
Wayne Money	160p	50,000	Warrants	15 January 2006
	120p	50,000	Warrants	14 August 2006
	120p	78,125	Warrants	15 March 2007
	100p	83,333	EMI	19 June 2007
	120p	15,625	Warrants	15 July 2007
	28p	388,214	Warrants	29 October 2009
Brian Wilkins	160p	32,500	Warrants	15 January 2005
	120p	50,000	Warrants	14 August 2006
	160p	32,500	Warrants	31 December 2006
	120p	37,500	Warrants	15 March 2007
	100p	83,333	EMI	19 June 2007
	28p	215,064	Warrants	29 October 2009

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Directors' Report (continued)

Political and charitable contribution

The group made no political or charitable contributions during the year.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payments when agreeing the terms of the transaction and to abide by those terms as far as financial circumstances permit. The Group and the Company do not follow any code or statement policy. Creditor days at the end of the end of the year were 105 (2009 – 77) days.

Financial instruments

The Group's financial management objectives, strategy and policies are discussed in the notes to the accounts on pages 21 to 43.

Corporate Governance

The Company is not required to comply with the Code of Best Practice as set out in section 1 of the Combined Code appended to the listing rules of the Financial Services Authority as it is listed on AIM. All relevant decisions are taken by the full Board.

Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of London Stock Exchange, elected to prepare the group and parent financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the group and parent company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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Directors' Report (continued)

Substantial interests

As at 26 April 2011, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital:

	Holdings %
J M Finn Nominees Ltd	21.30%
R Brooks	10.41%
I Diery	9.40%
D Tilman	8.86%
W Money	7.78%
B Wilkins	4.45%
A Davis	3.06%

Indemnity of Officers

The company may purchase and maintain, for any director or officer, insurance against any liability and the company does maintain appropriate insurance cover against legal action brought against its directors and officers.

Directors' Remuneration

Remuneration of the Directors for the year is summarised as follows:

	Salary	Employer's NIC	Benefits in kind	Total
	£	£	£	£
Alan Davis	16,667	1,524	4,212	22,403
David Alexander	8,000	353		8,353
Wayne Money	20,000	1,889		21,889
David Tilman	5,000	579		5,579
Brian Wilkins	16,667	673		17,340
Kevin Coffey	18,278	888	2,598	21,764
Totals	84,612	5,906	6,810	97,328

Directors' remuneration shown above comprises all of the salaries, Directors' fees, consulting fees and other benefits and emoluments paid to Directors.

Publication of Accounts on Company's Website

Financial statements are published on the company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibilities also extend to the financial statements contained therein.

Going Concern

After making appropriate enquiries, the directors consider that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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Auditors

In accordance with Section 406 of the Companies Act 2006 a resolution reappointing Jeffrey's Henry LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Wayne Money
Director

3 May 2011

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERUMA PLC

We have audited the group and parent company financial statements (the "financial statements") of Eruma PLC for the year ended 31 December 2010 which comprise the statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of cash flow, consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:-

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ERUMA PLC (CONTINUED)

Opinion on the other matters prescribed by the Companies Act 2006

Matters on which we are required to report by exception

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we draw your attention to the consolidated statement of financial position on page 13 of the financial statements which indicates that the Group's current liabilities exceeded its current assets by £318,000 at 31 December 2010. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty, which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Sanjay Parmar
(Senior statutory auditor)
**for and on behalf of Jeffrey's Henry LLP,
Statutory Auditor**

.....
5-7 Cranwood Street
London

3 May 2011

ERUMA PLC

Consolidated statement of comprehensive income for the year ended 31 December 2010

	Notes	Year to 31 December 2010 £'000	Year to 31 December 2009 £'000
Revenue	3	1,206	966
Cost of sales		(738)	(620)
Gross profit		468	346
Distribution expenses		(476)	(659)
Administrative expenses		(661)	(599)
Operating loss	6	(669)	(912)
Finance costs	4	(44)	(33)
Loss before tax		(713)	(945)
Corporation tax	5	33	63
Loss for the year		(680)	(882)
Total comprehensive income for the year		(680)	(882)
Loss attributable to:			
Owners of the company		(680)	(882)
Total comprehensive deficit attributable to:			
Owners of the company		(680)	(882)
Loss per share	8		
Basic		(6.6p)	(11.8p)
Fully diluted		(6.6p)	(11.8p)

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

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

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Consolidated statement of financial position as at 31 December 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	43	63
Goodwill	10	1,472	1,472
Other intangible assets	11	728	698
		2,243	2,233
Current assets			
Inventories	13	96	109
Trade and other receivables	14	231	179
Cash and cash equivalents	15	17	4
		344	292
TOTAL ASSETS		2,587	2,525
EQUITY			
Capital and Reserves			
Share Capital	18	2,121	2,055
Share Premium	19	4,273	3,763
Retained loss	20	(5,096)	(4,416)
TOTAL EQUITY		1,298	1,402
LIABILITIES			
Non-current liabilities			
Other non-bank loans	17	627	627
		627	627
Current liabilities			
Trade and other payables	16	662	456
Other loans		-	40
		662	496
TOTAL LIABILITIES		1,289	1,123
TOTAL EQUITY AND LIABILITIES		2,587	2,525

These financial statements were approved and authorised for issue by the board of directors on

3 May 2011 and were signed on its behalf by:

.....
W Money
Director

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Consolidated statements of changes in equity for the year ended 31 December 2010

	Share Capital £'000	Share Premium £'000	Retained Loss £'000	Total £'000
At 1 January 2009	1,287	3,707	(3,534)	1,460
Issue of share capital	768	56	-	824
Loss after tax for the year	-	-	(882)	(882)
At 1 January 2010	2,055	3,763	(4,416)	1,402
Issue of share capital	66	510	-	576
Loss after tax for the year	-	-	(680)	(680)
At 31 December 2010	<u>2,121</u>	<u>4,273</u>	<u>(5,096)</u>	<u>1,298</u>

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of the offerings on the Alternative Investment Market of the London Stock Exchange.

Retained loss represents the cumulative loss of the Company attributable to equity shareholders.

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Consolidated statement of cash flow for the year ended 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Net cash utilised by operating activities	(428)	(974)
Investing activities		
Interest paid	(44)	(33)
Purchase of plant and equipment	(1)	(6)
Purchase of patents and trademarks	(5)	(14)
Capitalised product development cost	(85)	(139)
Net cash from investing activities	(135)	(192)
Cash flows from financing activities		
Proceeds on issue of shares	576	823
Proceeds on issue of convertible loan notes	-	298
Net cash from financing activities	576	1,121
Net cash (outflow)	13	(45)
Cash and cash equivalents at start of year	4	49
Cash and cash equivalents at end of year	17	4

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Notes to the consolidated statement of cash flow for the year ended 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Operating activities		
Loss for the year	(669)	(912)
Adjustments for:		
Income tax received	33	63
Depreciation of property, plant and equipment	21	20
Amortisation of other intangible assets	60	50
Operating cash flow before movement in working capital	(555)	(779)
(Increase)/decrease in inventories	14	102
(Increase)/decrease in receivables	(21)	(145)
Increase/(decrease) in payables	134	(152)
Net cash outflow from operating activities	(428)	(974)

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Company statement of financial position as at 31 December 2010

	Notes	31 December 2010 £'000	31 December 2009 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	43	63
Goodwill	10	1,472	4,109
Other intangible assets	11	728	698
		2,243	4,870
Current assets			
Inventories	13	96	109
Trade and other receivables	14	231	179
Cash and cash equivalents	15	17	4
		344	292
TOTAL ASSETS		2,587	5,162
EQUITY			
Capital and Reserves			
Share Capital	18	2,121	2,055
Share Premium	19	4,273	3,763
Retained loss	20	(5,096)	(1,779)
TOTAL EQUITY		1,298	4,039
LIABILITIES			
Non-current liabilities			
Other non-bank loans	17	627	627
		627	627
Current liabilities			
Trade and other payables	16	662	456
Other loans		-	40
		662	496
TOTAL LIABILITIES		1,289	1,123
TOTAL EQUITY AND LIABILITIES		2,587	5,162

These financial statements were approved and authorised for issue by the board of directors on

3 May 2011 and were signed on its behalf by:

.....
W Money
Director

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Company statements of changes in equity for the year ended 31 December 2010

	Share Capital £'000	Share Premium £'000	Retained Loss £'000	Total £'000
At 1 January 2009	1,287	3,707	(1,537)	3,457
Issue of share capital	768	56	-	824
Loss after tax for the year	-	-	(242)	(242)
At 1 January 2010	2,055	3,763	(1,779)	4,039
Issue of share capital	66	510	-	576
Loss after tax for the year	-	-	(680)	(680)
At 31 December 2010	<u>2,121</u>	<u>4,273</u>	<u>(2,459)</u>	<u>3,935</u>

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses. Share issue expenses comprise a proportion of the costs incurred in respect of the offerings on the Alternative Investment Market of the London Stock Exchange.

Retained loss represents the cumulative loss of the Company attributable to equity shareholders.

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

ERUMA PLC

Company statement of cash flow for the year ended 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Net cash utilised by operating activities	(428)	(235)
Investing activities		
Interest paid	(44)	(26)
Purchase of plant and equipment	(1)	-
Purchase of patents and trademarks	(5)	-
Capitalised product development cost	(85)	-
Transfer of plant and equipment from subsidiaries	-	(63)
Transfer of intangible assets from subsidiaries	-	(698)
Net cash from investing activities	(135)	(787)
Cash flows from financing activities		
Proceeds on issue of shares	576	823
Proceeds on issue of convertible loan notes	-	298
Loans to subsidiary companies	-	(424)
Transfer of non-bank loan from subsidiary	-	329
Net cash from financing activities	576	1,026
Net cash inflow/(outflow)	13	4
Cash and cash equivalents at start of year	4	-
Cash and cash equivalents at the end of the year	17	4

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

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Notes to the company statement of cash flow for the year ended 31 December 2010

	31 December 2010 £'000	31 December 2009 £'000
Operating activities		
Loss for the year	(669)	(216)
Adjustments for:		
Income tax received	33	-
Depreciation of property, plant and equipment	21	-
Amortisation of other intangible assets	60	-
Operating cash flow before movement in working capital	(555)	(216)
(Increase)/decrease in inventories	14	(109)
(Increase)/decrease in receivables	(21)	(142)
Increase/(decrease) in payables	134	232
Net cash outflow from operating activities	(428)	(235)

The accompanying notes on pages 21 to 43 are an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement, are disclosed within the accounting policies note.

Basis of accounting

The financial statements have been prepared on the historical cost basis, as modified by the use of valuations for share-based payments. The principal accounting policies adopted are set out below.

The presentation currency is UK sterling, which is also considered the functional currency of the Group.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amount is determined based on the value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

b) Share based compensation

The fair value of options and warrants are determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

c) Estimates in Development Costs

The Group's accounting policy in respect of the capitalisation of development costs are explained in the accounting policies. However, estimates and assumptions have been used in determining certain items of development costs that have been capitalised. Where these estimates were made, the Directors consider them to be reasonable in light of the circumstances of the company.

d) Going Concern

The validity of the going concern assumption has been made on the basis of the group cash flow forecasts. These forecasts have been made in light of the information available and based on the Directors' view of the future plans of the group. Actual results could differ from forecasts.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

e) Value of Investments and Intercompany loan

The value of the investments held in the subsidiary and the recoverability of the long term loan made to the subsidiary depends on the forecasts made by the subsidiary. However, the actual results of the subsidiary may differ from the forecasts.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made within the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non – current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately as a profit or loss, unless the relevant asset is carried at a relevant amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of security blinds and emergency lighting systems provided in the normal course of business and is stated net of Value Added Tax. The Group recognises revenues when the amount of revenues can be reliably measured and it is probable that future economic benefit will flow to the Group.

Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the balance sheet date are translated at the closing balance sheet rate. The resulting exchange gain or loss is dealt within the statement of comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the same statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or subsequently enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from goodwill or from the initial recognition other than in a

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

business combination or other assets and liabilities in a transaction affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of valuation of assets over their estimated useful lives, using the straight-line method. The following rates are used for depreciation of property, plant and equipment.

Plant and machinery	20% straight line
Fixtures and equipment	25% straight line

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gains or losses arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Development costs

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset so that it will be available for use
- there is an ability to use or sell the intangible asset

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

- it can be demonstrated how the intangible asset will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and,
- the expenditure attributed to the intangible asset during its development can be reliably measured
- Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding ten years.
- Development assets are tested for impairment annually, in accordance with IAS 38. With effect from this financial year, depreciation has been charged on capitalised product development costs at rates between 5% and 10% per annum (straight line basis).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Warranty claims

Security Blinds Ltd offers a ten year warranty on products sold with a "Secur" trademark. Management estimates the related provision of future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

The financial statements do not include a provision for warranty claims as the directors currently estimate these to be immaterial for these accounts.

Financial Instruments

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their fair value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments and other financial assets

Investments and other financial assets are classified as either 'available for sale', 'fair value through profit and loss' or 'held to maturity'. They are initially measured at cost, including transaction costs, with the exception of 'fair value through profit and loss'. Where securities are

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

designated as 'fair value through profit and loss', gains and losses arising from changes in fair value are included in net profit or loss for the period. For 'available for sale' investments, gains or losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost. 'Held to maturity' investments are measured at amortised cost using the effective interest method.

Investments in subsidiaries are held at cost less impairment. Dividends received from the pre-acquisition profits of subsidiaries are deducted from the cost of the investment.

Classification of financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowing and loan notes

Interest-bearing bank loans and overdrafts are recorded at fair value, net of direct issue costs. Finance charges including premiums payable on settlement or redemption and direct issue costs are accounted for on an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Long-term loans are held at amortised cost.

Trade payables

Trade payables are not interest bearing and are stated at their fair value.

Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the company's financial performance. The board reviews its risk policies on a regular basis.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company's credit risk is primarily attributable to its trade. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

1. Significant accounting policies (continued)

where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Market risk

The company operates predominantly in the United Kingdom and therefore the directors are of the opinion that no significant action need be taken to address foreign exchange risks. The company does not therefore hedge against any exchange currencies.

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates. The directors therefore believe that there would be no material effect to these accounts due to changes in interest rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient working capital for the operations of the Group into the foreseeable future. Due to the nature of the Group's operations, from time to time the Company seeks additional funds for development from its investors. Management monitors rolling forecasts of the Group's liquidity reserve (long term loans and overdraft) and cash and cash equivalents on the basis of expected cash flow.

Going concern

The financial statements have been prepared on the assumption that the Group is a going concern. When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Report starting on page 2. Despite the global economic downturn the Group has been successful in raising additional funds to maintain its working capital during an extended period of losses. Further funding will be needed to support the Group up to the point at which it becomes profitable and, in addition to plans to generate funds from internal resources, the directors are in discussions with potential investors and banks to raise further finance. The Group's forecasts and projections, taking account of continuing improvements in trading performance, show that the Group should be able to operate within the level of the fund raisings that are being discussed and negotiated.

The directors are obliged to report that there is a degree of uncertainty as to the Group's ability to continue as a going concern. However, based on the negotiations conducted to date and after making enquires the directors have a reasonable expectation that the Group and the Company have adequate resources to continue to adopt the going concern in preparing the annual report and accounts.

Were the Group and the Company to be unable to continue as a going concern, adjustments would have to be made to the balance sheet of the Group and Company to reduce balance sheet values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

2. Segmental Analysis

The Group's primary reporting format is by business segment and the secondary is by geographical location. The business segment and principal activities consist of security blinds and emergency lighting as shown below:

	Security Blinds 2010 £'000	Lighting 2010 £'000	Total 2010 £'000	Security Blinds 2009 £'000	Lighting 2009 £'000	Total 2009 £'000
Revenue	614	592	1,206	906	60	966
Operating loss before amortisation of patents and trademark	(456)	(208)	(664)	(493)	(414)	(907)
Amortisation of patents and trademark	(5)	-	(5)	(5)	-	(5)
Operating loss	(461)	(208)	(669)	(498)	(414)	(912)
Net finance income			(44)			(33)
Loss before taxation			<u>(713)</u>			<u>(945)</u>
Segment Assets						
Property, plant and equipment	8	35	43	12	51	63
Intangible assets	1,864	336	2,200	1,838	332	2,170
Current assets	180	164	344	231	61	292
	<u>2,052</u>	<u>535</u>	<u>2,587</u>	<u>2,081</u>	<u>444</u>	<u>2,525</u>

The geographical analysis is as follows:.

	United Kingdom 2010 £'000	Overseas 2010 £'000	Total 2010 £'000	United Kingdom 2009 £'000	Total 2009 £'000
Revenue	1,013	193	1,206	966	966
Total Assets	<u>2,587</u>	<u>-</u>	<u>2,587</u>	<u>2,525</u>	<u>2,525</u>

3. Revenue

	31 December 2010 Group £'000	31 December 2009 Group £'000
An analysis of the Group's revenue for the year is as follows:-		
Continuing operations		
Sales of security blinds	614	906
Sales of emergency lighting systems	<u>592</u>	<u>60</u>
	<u>1,206</u>	<u>966</u>

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

4. Finance cost

	31 December 2010 Group £'000	31 December 2009 Group £'000
Continuing operations		
Interest on bank overdraft and loans	44	33
	<u>44</u>	<u>33</u>

5. Corporation tax

Based on the results, no provision has been made for corporation tax charge.
The total charge for the year can be reconciled to the accounting profit as follows

	31 December 2010 Group £'000	31 December 2009 Group £'000
Loss before tax		
Continuing operations	(713)	(945)
	<u>(713)</u>	<u>(945)</u>
Tax at domestic income tax rate of 21% (2009 – 21%)	(150)	(198)
Depreciation	17	15
Other tax adjustments	133	183
	<u>17</u>	<u>183</u>
Tax adjustment in respect of prior period	-	-
Research and development tax credit	33	63
	<u>33</u>	<u>63</u>
	<u>33</u>	<u>63</u>

The group has tax losses of £6.4m (2009 - £5.8m) to carry forward against future profits. The deferred tax asset arising from these losses of £1.7m (2009 - £1.6m) has not been provided in these accounts as recovery cannot be reasonably foreseen.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

6. Operating loss for the year

	31 December 2010 Group £'000	31 December 2009 Group £'000
Operating loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	21	20
Amortisation of intangibles	60	50
Operating lease rentals	115	70
Auditors remuneration - Annual audit	23	23
Advertising and marketing	84	155
	<u> </u>	<u> </u>

7. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £680,000 (2009 - £242,000).

8. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	31 December 2010	31 December 2009
Earnings (£'000)	(680)	(882)
Weighted average no. of ordinary shares – Basic	10,383,794	7,450,766
Fully diluted	12,751,608	9,151,359

During the year the share capital of the company was restructured. The number of ordinary shares in issue in 2009 has therefore been re-stated in order to provide more meaningful comparative earnings per share figures.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

9. Plant and equipment

Group	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost			
At 1 January 2009	101	22	123
Additions	-	6	6
At 31 December 2009	101	28	129
Disposals	(26)	(5)	(31)
Additions	-	1	1
At 31 December 2010	75	24	99
Accumulated Depreciation			
At 1 January 2009	38	8	46
Charge for the year	15	5	20
At 31 December 2009	53	13	66
Disposals	(26)	(5)	(31)
Charge for the year	15	6	21
At 31 December 2010	42	14	56
Carrying amount			
At 31 December 2010	33	10	43
At 31 December 2009	48	15	63

Company	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost			
At 1 January 2009	-	-	-
Additions (transferred from subsidiaries)	101	28	129
At 31 December 2009	101	28	129
Disposals	(26)	(5)	(31)
Additions	-	1	1
At 31 December 2010	75	24	99
Accumulated Depreciation			
At 1 January 2009	-	-	-
Additions (transferred from subsidiaries)	53	13	66
At 31 December 2009	53	13	66
Disposals	(26)	(5)	(31)
Charge for the year	15	6	21
At 31 December 2010	42	14	56
Carrying amount			
At 31 December 2010	33	10	43
At 31 December 2009	48	15	63

10. Goodwill

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

	Total £'000
Cost	
At 1 January 2009	1,472
Additions	-
	<hr/>
At 1 January 2010	1,472
	<hr/>
Additions	-
	<hr/>
At 31 December 2010	1,472
	<hr/> <hr/>
Carrying amount	
At 31 December 2010	1,472
	<hr/> <hr/>
At 31 December 2009	1,472
	<hr/> <hr/>

The above goodwill arose on the acquisition of Security Blinds Limited on 30 March 2005 and Illuminex Limited on 1 July 2007 which is not amortised but tested for impairment annually and with the recoverable amount being determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rate of 5%, growth rates of 25% and changes in income and expenses. The Group considers that it has two cash generating units and the present value of discounted cash flows and the terminal value exceed the value of the goodwill. On this basis there has been no impairment of goodwill during the year.

The Group prepares discounted cash flow forecasts based on financial forecasts approved by management covering a 5 year period, which takes into account both past performance and expectations for future market developments.

A segment level summary of the goodwill allocation is presented below:

Security Blinds £'000	Lighting £'000	Total £'000
871	601	1,472
<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

11. Other intangible assets

Group	Product development cost £'000	Patents and trademarks £'000	Total £'000
Cost			
At 1 January 2009	508	101	609
Additions	139	14	153
At 31 December 2009	647	115	762
Additions	86	4	90
At 31 December 2010	733	119	852
Amortisation			
At 1 January 2009	-	14	14
Charge for the year	45	5	50
At 31 December 2009	45	19	64
Charge for the year	54	6	60
At 31 December 2010	99	25	124
Carrying amount			
At 31 December 2010	634	94	728
At 31 December 2009	602	96	698

Company	Product development cost £'000	Patents and trademarks £'000	Total £'000
Cost			
At 1 January 2009	-	-	-
Additions (transferred from subsidiaries)	647	115	762
At 31 December 2009	647	115	762
Additions	86	4	90
At 31 December 2010	733	119	852
Amortisation			
At 1 January 2009	-	-	-
Additions (transferred from subsidiaries)	45	19	64
At 31 December 2009	45	19	64
Charge for the year	54	6	60
At 31 December 2010	99	25	124
Carrying amount			
At 31 December 2010	634	94	728
At 31 December 2009	602	96	698

11. Other intangible assets (continued)

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

The intangible assets included above have finite lives, over which the assets are amortised. Patents and trademarks are amortised over their estimated useful lives, which is on average twenty years.

Product development costs are amortised from the point at which they are ready for use, over their estimated useful lives, which is between 10 and 20 years. The directors believe that it is reasonable to carry forward these development costs to match against future economic benefits. The directors have based their assumptions on the sales forecasts that are expected to be generated from these products.

12. Subsidiaries

Goodwill represents loans to subsidiaries whose business was hived up on 31 December 2009 and the true and fair over-ride has been invoked as required by IAS27 (revised).

	Cost of investments £'000	Loan to subsidiaries £'000	Total £'000
Cost			
At 1 January 2009	1,122	2,562	3,684
Additions	-	425	425
At 1 January 2010	1,122	2,987	4,109
Impairment	-	(2,637)	(2,637)
At 31 December 2010	<u>1,122</u>	<u>350</u>	<u>1,472</u>
Carrying amount			
At 31 December 2010	<u>1,122</u>	<u>350</u>	<u>1,472</u>
At 31 December 2009	<u>1,122</u>	<u>2,987</u>	<u>4,109</u>

Details of the company's subsidiaries at 31 December 2010 which have been consolidated are follows:

Name of subsidiary	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %	Principal Activity
Security Blinds Ltd	England and Wales	100	100	Manufacturing of security blinds
Illuminex Ltd	England and Wales	100	100	Manufacturing of emergency lighting systems

The directors believe that the cost of investments and loans to the subsidiaries are supported by the value of goodwill in the businesses.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

13. Inventories

	As at 31 December 2010 Group £'000	As at 31 December 2010 Company £'000	As at 31 December 2009 Group £'000	As at 31 December 2009 Company £'000
Raw materials	54	54	73	73
Work in progress	4	4	-	-
Finished goods	38	38	36	36
	<u>96</u>	<u>96</u>	<u>109</u>	<u>109</u>

14. Trade and other receivables

	As at 31 December 2010 Group £'000	As at 31 December 2010 Company £'000	As at 31 December 2009 Group £'000	As at 31 December 2009 Company £'000
Amounts receivable from the sale of goods	159	159	95	95
Prepayments	33	33	43	43
Other debtors	39	39	41	41
	<u>231</u>	<u>231</u>	<u>179</u>	<u>179</u>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. Bank balances and cash

	As at 31 December 2010 Group £'000	As at 31 December 2010 Company £'000	As at 31 December 2009 Group £'000	As at 31 December 2009 Company £'000
Current account	17	17	4	4
	<u>17</u>	<u>17</u>	<u>4</u>	<u>4</u>

The carrying amount of cash, bank balances and overdrafts approximate their fair value.

ERUMA PLC

Notes to the consolidated financial statements for the year ended 31 December 2010

16. Trade and other payables

	As at 31 December 2010 Group £'000	As at 31 December 2010 Company £'000	As at 31 December 2009 Group £'000	As at 31 December 2009 Company £'000
Trade payables and accruals	441	441	336	336
Other taxes and social security costs	134	134	65	65
Other creditors	87	87	55	55
	662	662	456	456
	662	662	456	456

Trade creditors and accruals principally comprise amounts outstanding for trade purchase and ongoing costs.

The directors consider that the carrying amounts of trade and other payables approximate to their fair value.

17. Loans

The following capital instruments are treated as liabilities of the company and comprise bank overdraft, other non-bank loans and amount payable to related parties:

	As at 31 December 2010 Group £'000	As at 31 December 2010 Company £'000	As at 31 December 2009 Group £'000	As at 31 December 2009 Company £'000
Analysis of capital instruments treated as liabilities				
In more than one year but not more than five years				
Other non – bank loans	627	627	627	627
	627	627	627	627
	627	627	627	627
Analysis of loans				
Wholly repayable within five years	627	627	627	627
	627	627	627	627
	627	627	627	627
Loan maturity analysis				
In more than two years but not more than five years	627	627	627	627
	627	627	627	627
	627	627	627	627

The other non – bank loans of £627,000 include £329,000 (2009 - £329,000) arising from the reclassification of shareholders and directors loans, previously interest free and repayable on

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17. Loans (continued)

demand. The loans are now deferred, repayable when the company reaches earnings before tax, depreciation and amortisation of £750,000 in a financial year. The remaining £298,000 (2009 – £298,000) relates to unsecured convertible loan notes, issued in 2009 and repayable by the Company in 2014.

The carrying amounts approximate fair value.

18. Share capital

	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Allotted, called up and fully paid		
16,928,120 Ordinary Shares of 1p each	169	
205,451,281 Ordinary Shares of 1p each		2,055
195,178,717 Deferred Shares of 1p each	1,952	-
	<u>2,121</u>	<u>2,055</u>

On 31 August 2010 the entire existing share capital of the company, both issued and to be issued, was converted into ordinary shares of 20 pence each. Each new 20p share was then subdivided into one ordinary share of 1p each and nineteen deferred shares of 1p each.

After the Capital Reorganisation and prior to the placing referred to below the share capital comprised 10,272,564 ordinary shares of 1p each. The Capital Reorganisation also resulted in the creation of 195,178,717 Deferred Shares of 1p each. These deferred shares have limited rights and will not be admitted to trading on AIM.

Subsequently the Company raised £599,000 (before expenses) by issuing 6,655,554 new ordinary shares in the Company at a price of 9p per share.

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Notes to the consolidated financial statements for the year ended 31 December 2010

18. Share capital (continued)

Shares – based payments

Details of the options and warrants issued are provided in the Directors' Report. The details of the EMI option scheme are as follows:

	2010 Number of options	2010 Weighted average exercise price Pence	2009 Number of options	2009 Weighted average exercise price Pence
Outstanding at beginning of period	5,000,001	5	5,000,001	5
Options cancelled in period	-	-	-	-
Conversion following capital re-structuring	(4,750,001)	5		
Options granted in period	-	-	-	-
Outstanding at end of the period	250,000	100	5,000,001	5

None of the options above have been exercised and all remain outstanding at the year end. The fair value of the options granted during the period has been calculated using the Black Scholes model assuming the inputs shown below:

Grant date	June 2007
Share price at grant date	6p
Exercise price	5p
Expected option life in years	5
Risk free interest rate	5%
Expected volatility	10%
Expected dividend yield	0%
Fair value of option	Nil

Volatility has been estimated by taking the historic volatility in the Company's share price over two years.

Warrants granted over ordinary shares during the period were as follows:

	2010 Number of warrants	2010 Weighted average exercise price Pence	2009 Number of warrants	2009 Weighted average exercise price Pence
Outstanding at beginning of the period	55,511,068	3.6	26,926,924	5.9
Warrants granted in period	-		28,584,144	1.4
Conversion following capital re-structuring	(52,735,515)	3.6	-	-
Outstanding at end of the period	2,775,553	72	55,511,068	3.6

The warrants over ordinary shares that have been issued to employees have a seven year vesting period six months from the grant date.

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Notes to the consolidated financial statements for the year ended 31 December 2010

19. Share Premium

	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Balance at 1 January	3,763	3,707
Shares issued at premium	510	56
Balance at 31 December	<u>4,273</u>	<u>3,763</u>

20. Retained earnings

Group	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Balance at 1 January	(4,416)	(3,534)
Loss for the year attributable to equity holders of the parent	(680)	(882)
Balance at 31 December	<u>(5,096)</u>	<u>(4,416)</u>

Company	As at 31 December 2010 £'000	As at 31 December 2009 £'000
Balance at 1 January	(1,779)	(1,537)
Loss for the year attributable to equity holders of the parent	(680)	(242)
Balance at 31 December	<u>(2,459)</u>	<u>(1,779)</u>

21. Financial Commitments

	As at 31 December 2010 Group £'000	As at 31 December 2009 Group £'000
Minimum lease payments under operating lease recognised as an expense in the year	115	70
At the balance sheet date, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	56	58
Between two and five years	67	81
In over five years	-	-
	<u> </u>	<u> </u>

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22. Directors' emoluments

	Year to 31 December 2010 Group £'000	Year to 31 December 2009 Group £'000
Emoluments for qualifying services	83	162
Directors' fees	-	16
	<u>83</u>	<u>178</u>

During the year £11,667 (2009: £28,308) of directors' emoluments were capitalised in product development costs.

23. Employees

No. of employees	2010 Number	2009 Number
The average monthly number of employees (including directors) during the period was:		
Factory staff	14	14
Technical Staff	1	1
Administration Staff	8	9
Surveyor Staff	2	2
	<u>25</u>	<u>26</u>

Employment costs

	Year to 31 December 2010 Group £'000	Year to 31 December 2009 Group £'000
Wages and Salaries	392	588
Social security costs	35	55
	<u>427</u>	<u>643</u>

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Notes to the consolidated financial statements for the year ended 31 December 2010

24. Related Party Transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Purchases were made during the year from Peripheral Support Services Ltd, a company in which Kevin Coffey is a director. The total value of purchases from this company during the year was £185,470 (2009: £48,901). Amounts relating to rent and service charges during the year was £16,866 (2009: £24,867) with the remainder of £168,604 (2009: £24,034) being product purchases, sub-contracted labour and expenses and recharges for purchases made on behalf of the Group. The amount owed by the Group at the balance sheet date was £19,567 (2009: £842).

During the year, the Group paid Wayne Money, a director of the company £29,137 (2009: £37,406) in respect of rental fee and services charges. The amount owed by the Group at the balance sheet date was £16,287 (2009: £15,906).

Purchases were made during the year from Hampshire Energy Light and Vision Ltd, a company in which Kevin Coffey is a director. The total value of purchases from this company during the year was £85,728 (2009: £nil). The amount owed by the Group at the balance sheet date was £19,567 (2009: £nil).

During the year a licence fee became payable to Brian Wilkins, a director of the company, amounting to £5,417. The amount owing at the year end was £5,417 (2009: £nil)

Purchases were made during the year from SolutionsMTD Limited, a company in which David Alexander (a non-executive director of Eruma PLC) is a director. The total value of IT related purchases during 2010 was £nil (2009: £3,905). The amount owing at the balance sheet date was £nil (2009: £nil).

25. Control

Eruma Plc is a public limited company, and is domiciled and incorporated in England and Wales. The Company's registered office is at Underwood House, Shepherdess Walk Buildings, Underwood Street, London, N1 7LG

Eruma Plc is listed on the Alternative Investment Market of the London Stock Exchange. At the date of the Annual Report in the Directors opinion there is no controlling party.

26. Financial Instruments

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in note 1 of the financial statements.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group and Company's activities to the exposure to currency risk or interest risk, however as the Group enters greater commercial production this may be considered. No derivatives or hedges were entered into during the period.

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Notes to the consolidated financial statements for the year ended 31 December 2010

27. Financial Instruments (continued)

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Cash flow interest rate risk; and

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. There have been no substantive changes in the Group and Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note. Further details regarding these policies are set out below:

Principal financial instruments

The principal financial instruments used by the Group and Company, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Loans and borrowings

Liquidity risk

The Group's and Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings except for the convertible debts.

Rolling cash forecasts identifying the liquidity requirements of the Group and Company are produced frequently. These are reviewed regularly by management and the board to ensure that sufficient financial headroom exists for at least a twelve month period.

Credit risk

The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies. The Group made investments and advances into subsidiary companies during the year, recovery of which is dependent on future income generation of those subsidiaries.

None of the Group trade and other receivables have been impaired. Group trade and other receivables are predominantly non-interest bearing. The Group does not hold any collateral as security and the Group does not hold any significant provision in the impairment account for trade and other receivables as they mainly relate to customers with no default history.

Cash and cash equivalent	- Floating interest rate
Shareholder and Director Loans	- Interest free
Convertible loans notes	- 10% Fixed interest rate

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Notes to the consolidated financial statements for the year ended 31 December 2010

27. Financial Instruments (continued)

Capital

The objective of the Directors is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity. To date the Group has minimised risk by being mainly equity financed.

In managing its capital, the Group and Company's primary objective is to ensure its ability to provide a sufficient return for its equity shareholders, principally through capital growth. In order to achieve and seek to maximise this return objective the Group and Company will in the future seek to maintain a gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group and Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering a dividend or share buyback policies, the Group considers not only its short term position but also its medium and longer term operational and strategic objectives.

Maturity of financial assets and liabilities is noted in the notes to these accounts.

Borrowing facilities

The Group did not have any borrowing facilities in place at the reporting date (2009 – nil).