

## **ERUMA PLC (the 'Company' or 'Eruma')**

### **CHAIRMAN'S STATEMENT**

#### **Unaudited half-yearly report for the period ended 30 June 2011**

Eruma plc, the AIM traded specialist provider of counter terrorism, bomb blast protection, intruder prevention and intelligent lighting solutions, is pleased to announce its half-yearly report for the six month period to 30 June 2011.

#### **Highlights**

- Orders increased by 128% to just over £2 million from £908k compared to the equivalent period in 2010 - this represents 172% of total revenue of the Company for the year to 31 December 2010;
- Revenue was 16% (£77k) lower for the equivalent period which reflected the larger scale of orders and the longer delivery times of bigger contracts;
- Gross profit was 73% higher (£121k) in absolute terms for the equivalent period due to improvements in operational cost management and tracking of resource allocation;
- Distribution expenses were reduced by 12% and administrative expenses were 17% higher compared to the equivalent period on 2010; and
- The loss before tax was reduced by 15% compared to the equivalent period in 2010.

#### **Review and Outlook**

The Company has made an excellent start to the year with significant new contract wins both in the UK and internationally which exceed the whole of last financial year's revenue. Once again, the size and scale of our contracts has increased which reflects, we believe, our growing reputation for a high quality and differentiated solution in the growing counter terrorism and blast protection market worldwide.

Our intelligent lighting and intruder prevention product lines have continued to attract new customers but the economic climate has slowed down purchasing decisions in some sectors, in particular the public sector. Even projects offering significant return on investment over multiple years are being reviewed in light of the comprehensive spending review and the concerns over challenging economic conditions for the foreseeable future.

We are pleased, however, to report an increase in repeat orders from existing clients who have now specified our solutions within their organisations. These longer term relationships allow us to plan work programmes more effectively as these clients seek to develop and upgrade their estates in terms of both protection and reduction in energy consumption and environmental impact.

Revenue, whilst lower, is underpinned by a strong order book of high quality contracts, which we anticipate will generate significant revenue and gross profit for the Company during the second half of the year.

Securing the working capital needed to fund large-scale contracts has been a constant challenge throughout the period. Whilst we have been fortunate to secure a range of trade finance and overdraft facilities, they are expensive and can reduce our flexibility in some areas. A knock on effect of this is a reduction in our ability to take run rate lighting supply contracts where rapid delivery is required from stock held in the UK as opposed to manufactured to order from overseas.

The Company is deriving the benefits from its consolidation programme completed in the first quarter of this year which has reduced operating costs and streamlined management procedures. The Board is pleased with the results and progress which is evidenced by the improvement in overall bottom line performance.

#### **Trading update post period**

The Company order book remains strong and its outlook in terms of future business potential encouraging, both in the UK, but in particular in our international markets, as we expand our network and customer base.

We will continue to face working capital challenges until we can release gross profit from large contracts, which will complete in the second half of the year. We do not underestimate this challenge but we will continue to look at the most innovative and cost effective ways to deliver the working capital needed to take full advantage of the market potential in counter terrorism, intelligent lighting and intruder prevention.

The ongoing support of staff, directors, suppliers and existing investors is much appreciated and I extend a vote of thanks to all on behalf of the Board.

Your Board is confident that its strategy of driving sales growth and expansion into international markets, larger scale contracts and increasing the volume of repeat orders from existing clients will deliver the sustainable operating model we have long fought for and with it the profit and return on investment to our shareholders which we believe draws ever closer.

**David Alexander**  
**Chairman**

**20 September 2011**

## ERUMA PLC

### Consolidated Statement of Comprehensive Income for the six months ended 30th June 2011

	Six months to 30 June 2011 Unaudited £'000s	Six months to 30 June 2010 Unaudited £'000s	Year ended 31 December 2010 Audited £'000s
<b>Turnover</b>	<b>416</b>	<b>493</b>	<b>1,206</b>
Cost of Sales	(130)	(328)	(738)
<b>Gross Profit</b>	<b>286</b>	<b>165</b>	<b>468</b>
Distribution expenses	(215)	(243)	(476)
Administrative expenses	(436)	(373)	(661)
<b>Operating Loss</b>	<b>(365)</b>	<b>(451)</b>	<b>(669)</b>
Finance costs	(33)	(18)	(44)
<b>Loss before tax</b>	<b>(398)</b>	<b>(469)</b>	<b>(713)</b>
Income tax charges	21	28	33
<b>Loss for the period from continuing operations attributable to shareholders</b>	<b>(377)</b>	<b>(441)</b>	<b>(680)</b>
<b>Loss per share</b>			
From continuing operations:			
Basic and Fully Diluted	(2.2p)	(4.3p)	(6.6p)

The Group's turnover and operating loss arise from continuing operations.

There were no recognised gains or losses other than those recognised in the income statement above.

## ERUMA PLC

### Consolidated Statement of Financial Position as at 30 June 2011

	30 June 2011 Unaudited £'000s	30 June 2010 Unaudited £'000s	31 December 2010 Audited £'000s
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant & Equipment	35	53	43
Goodwill	1,472	1,472	1,472
Other intangibles	752	721	728
	<b>2,259</b>	<b>2,246</b>	<b>2,243</b>
<b>Current assets</b>			
Inventories	249	116	96
Trade and other receivables	283	124	231
Cash and cash equivalents	36	8	17
	<b>568</b>	<b>248</b>	<b>344</b>
<b>Total assets</b>	<b>2,827</b>	<b>2,494</b>	<b>2,587</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	2,121	2,055	2,121
Share premium	4,273	3,763	4,273
Retained earnings	(5,473)	(4,857)	(5,096)
<b>Total equity</b>	<b>921</b>	<b>961</b>	<b>1,298</b>
<b>Non current liabilities</b>			
Other loans	627	627	627
	<b>627</b>	<b>627</b>	<b>627</b>
<b>Current liabilities</b>			
Trade and other payables	1,007	781	662
Other loans	272	125	-
	<b>1,279</b>	<b>906</b>	<b>662</b>
<b>Total liabilities</b>	<b>1,906</b>	<b>1,533</b>	<b>1,289</b>
<b>Total equity and liabilities</b>	<b>2,827</b>	<b>2,494</b>	<b>2,587</b>

## ERUMA PLC

### Consolidated Statement of Cash Flows for the six months ended 30th June 2011

	Six months to 30 June 2011 Unaudited £'000	Six months to 30 June 2010 Unaudited £'000	Year ended 31 December 2010 Audited £'000
<b>Net cash generated/(utilised) by operating activities</b>	<b>(162)</b>	<b>(11)</b>	<b>(428)</b>
<b>Investing activities</b>			
Interest paid	(33)	(18)	(44)
Purchases of plant and equipment	(2)	-	(1)
Purchase of patents and trademark	(1)	-	(5)
Capitalisation of product development cost	(55)	(52)	(85)
<b>Net cash from investing activities</b>	<b>(91)</b>	<b>(70)</b>	<b>(135)</b>
<b>Cash flows from financing activities</b>			
Proceeds on issue of shares	-	-	576
Loans received in advance of share issues	-	85	-
Proceeds from trade finance loans	272	-	-
<b>Net cash inflow from financing activities</b>	<b>272</b>	<b>85</b>	<b>576</b>
<b>Net cash inflow/(outflow)</b>	<b>19</b>	<b>4</b>	<b>13</b>
Cash and cash equivalents at start of period	17	4	4
<b>Cash and cash equivalents at end of period</b>	<b>36</b>	<b>8</b>	<b>17</b>

### Consolidated Statement of changes in equity for the six months ended 30<sup>th</sup> June 2011

	Six months to 30 June 2011 Unaudited £'000s	Six months to 30 June 2010 Unaudited £'000s	Year ended 31 December 2010 Audited £'000s
At beginning of period	1,298	1,402	1,402
Deficit for the period	(377)	(441)	(680)
Issue of share capital	-	-	576
<b>At end of period</b>	<b>921</b>	<b>961</b>	<b>1,298</b>

# ERUMA PLC

## Notes to the Interim Report

### 1. General Information

Eruma plc is a company incorporated in England and Wales and quoted on the Alternative Investment Market of the London Stock Exchange.

### 2. Basis of Preparation

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and on the historical cost basis, using generally recognised accounting principles, consistent with those used in the annual report and accounts for the year ended 31 December 2010.

This interim report for the six months to 30 June 2011, which complies with IAS 34 "Interim Financial Reporting", was approved by the Board on 20 September 2011.

### 3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2010, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

**The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.**

- Revised IAS24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS24, issued in 2003. IAS24 (revised) is mandatory for periods beginning on or after 1 April 2011.
- IFRIC19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The group will apply the interpretation from 1 January 2011.

**The following new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:**

The group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- IFRS9 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS39, 'Financial instruments, recognition and measurements'. IFRS9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.

**ERUMA PLC**  
**Notes to the Interim Report (continued)**

**4. 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:

**6 Months to 30 June 2011**

	<b>Security Blinds £'000</b>	<b>Emergency Lighting £'000</b>	<b>Total £'000</b>
Revenue	395	21	416
Operating loss before amortization of patents & trademarks	(66)	(296)	(362)
Amortisation of patents & trademarks	(3)	-	(3)
Operating loss	(69)	(296)	(365)
Net finance income			(33)
Loss before taxation			<u>(398)</u>
Segment Assets			
Property, plant and equipment	7	28	35
Intangible assets	1,886	338	2,224
Current assets	382	186	568
	<u>2,275</u>	<u>552</u>	<u>2,827</u>

**6 Months to 30 June 2010**

	<b>Security Blinds £'000</b>	<b>Emergency Lighting £'000</b>	<b>Total £'000</b>
Revenue	256	237	493
Operating loss before amortization of patents & trademarks	(177)	(271)	(448)
Amortisation of patents & trademarks	(3)	-	(3)
Operating loss	(180)	(271)	(451)
Net finance income			(18)
Loss before taxation			<u>(469)</u>
Segment Assets			
Property, plant and equipment	10	43	53
Intangible assets	1,294	899	2,193
Current assets	117	131	248
	<u>1,421</u>	<u>1,073</u>	<u>2,494</u>

**ERUMA PLC**  
**Notes to the Interim Report (continued)**

**12 Months to 31 December 2010**

	<b>Security Blinds £'000</b>	<b>Emergency Lighting £'000</b>	<b>Total £'000</b>
Revenue	614	592	1,206
Operating loss before amortization of patents & trademarks	(456)	(208)	(664)
Amortisation of patents & trademarks	(5)	-	(5)
Operating loss	(461)	(208)	(669)
Net finance income			(44)
Loss before taxation			<u>(713)</u>
Segment Assets			
Property, plant and equipment	8	35	43
Intangible assets	1,864	336	2,200
Current assets	180	164	344
	<u>2,052</u>	<u>535</u>	<u>2,587</u>

The geographical analysis is as follows:

	<b>6 Months to 30 June 2011</b>			<b>6 Months to 30 June 2010</b>		<b>12 Months to 31 December 2010</b>		
	<b>United Kingdom £'000</b>	<b>Overseas £'000</b>	<b>Total £'000</b>	<b>United Kingdom £'000</b>	<b>Total £'000</b>	<b>United Kingdom £'000</b>	<b>Overseas £'000</b>	<b>Total £'000</b>
Revenue	322	94	416	493	493	1,013	193	1,206
Total Assets	2,827	-	2,827	2,494	2,494	2,587	-	2,587

**5. Earnings per Share**

	<b>Six months to 30 June 2011</b>	<b>Six months to 30 June 2010</b>	<b>Year ended 31 December 2010</b>
Earnings (£'000)	(377)	(441)	(680)
Weighted average no. of ordinary shares –			
Basic	16,928,218	10,272,714	10,383,794
Fully diluted	19,487,104	13,035,409	12,751,608
Earnings per ordinary shares –			
Basic and Fully Diluted	(2.2p)	(4.3p)	(6.6p)

During 2010 the share capital of the company was restructured. The number of ordinary shares in issue in June 2010 has therefore been re-stated in order to provide more meaningful comparative earnings per share figures.

**ERUMA PLC**  
**Notes to the Interim Report (continued)**

**6. Reconciliation of operating loss to net cash inflow/(outflow) from operating activities.**

	Six months to 30 June 2011 Unaudited £'000s	Six months to 30 June 2010 Unaudited £'000s	Year ended 31 December 2010 Audited £'000s
<b>Loss for the period</b>	(365)	(451)	(669)
Adjustments for :			
Income tax received	21	28	33
Depreciation of property, plant and equipment	10	10	21
Amortisation of intangibles	32	29	60
<b>Operating cash flow before movement in working capital</b>	<b>(302)</b>	<b>(384)</b>	<b>(555)</b>
(Increase)/ decrease in inventories	(153)	(7)	14
(Increase)/decrease in receivables	148	55	(21)
Increase/(decrease) in payables	145	325	134
<b>Net cash outflow from operating activities</b>	<b>(162)</b>	<b>(11)</b>	<b>(428)</b>

**7. Called up Share Capital.** The issued share capital as at 31 December 2010, per the audited accounts was 16,928,218 Ordinary Shares of 1p each and 195,178,717 Deferred Shares of 1p each. The deferred shares have limited rights and will not be admitted to trading on AIM. No shares were issued during the six months ended 30 June 2011.

**8. Directors' Remuneration**

Remuneration of the Directors for the six months is summarised as follows:

	Salary £	Employer's NIC £	Benefits in kind £	Total £
Alan Davis	25,000	2,945	1,404	29,349
David Alexander	12,000	1,216		13,216
Wayne Money	30,000	3,610		33,610
David Tilman	30,000	3,610		33,610
Brian Wilkins	25,000	2,945	689	28,634
Kevin Coffey	25,000	2,945	1,663	29,608
<b>Totals</b>	<b>147,000</b>	<b>17,271</b>	<b>3,756</b>	<b>168,027</b>

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

## **ERUMA PLC**

### **Notes to the Interim Report (continued)**

9. The unaudited results for period ended 30 June 2011 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year 31 December 2010 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.
  
10. Copies of this interim statement are available from the Company at its registered office at Underwood House, Shepherdess Walk Buildings, Underwood Street, London, N1 7LG. The interim statement will also be available on the company website at [www.erumapl.com](http://www.erumapl.com).