Company No: 5388153

ERUMA PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

JEFFREYS HENRY LLP
Chartered Accountants

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	Phillip Barnett Alan Davis Wayne Money Brian Wilkins David Alexander (appointed 18 July 2007) Kevin Coffey (appointed 18 July 2007) Nigel Young (resigned 31 January 2008)
Company Secretary	Wayne Money (appointed 31.01.08) Nigel Young (resigned 31.01.08)
Nominated Advisor	Beaumont Cornish Limited 10 –12 Copthall Avenue London EC2R 7DE
Broker	S P Angel & Co Limited East India House 109 – 117 Middlesex Street London E1 7JF
Solicitors to the Company	Reynolds Porter Chamberlain LLP Tower Bridge House St. Katharine's Way London E1W 1AA
Auditors	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London EC1V 9EE
Principal Bankers	Allied Irish Bank Plc 9/10 Angel Court London EC2R 7AB
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Website	www.erumaplc.com

ERUMA PLC

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Chairman's Report

Introduction

The year ended 31 December 2007 was a period of rapid growth for Eruma in which we surpassed many major milestones in developing our two key product ranges, Security Blinds and Illuminex security and emergency lighting. In the period we have received sales orders of over £1 million for the first time in the Company's history and I expect to see this growth continue in 2008 and beyond.

Security Blinds

Throughout the reporting period Eruma has continued testing and improving the Security Blind range which now includes the Secur™, Secur™ Plus and Secur™ Ultra models. These products not only target corporate, commercial and domestic markets for burglary and ram raid prevention as was the Company's initial strategy, but have now been adapted to exploit the burgeoning anti-terrorist market.

The Company placed a considerable amount of emphasis and investment in research and development ('R&D') activities in 2007, applying multiple tests to our product range. In early November we announced that the enhanced Security Blind product successfully withstood a large bomb blast in excess of 1,000 pounds TNT equivalent – five times the size of previous explosive test blasts. This was a significant and timely development for the Company as Gordon Brown's National Security announcement on 14th November 2007 opened up a huge market for companies providing products which prevent damage from terrorist bombs. Further bomb blast tests on Security Blinds products are currently in progress as we advance the product's capability in blast mitigation.

In line with shifting the focus of the products to include anti-terrorism, the Company is making it a priority to employ specialist individuals into the Eruma team, who will be able to assist in the development of superior products with which we could look to market further afield into the global arena.

Illuminex

Eruma completed the 100% acquisition of Illuminex and its associated intellectual property rights in July 2007. Illuminex was a new company on acquisition and it was the Directors belief that the state-of-the-art emergency lighting product complemented the Company's existing exposure to the security market through our flagship Security Blinds products.

Health and Safety legislation in the UK dictates that it is a requirement for public sector buildings to have back-up lighting in the event of a power cut or lighting failure, which must be tested on a regular basis.

This legislation puts Eruma in a very competitive position in relation to future sales as the Illuminex range of products uses Light Emitting Diodes ('LEDs') to provide emergency lighting systems for public/commercial premises which have a reduced power consumption compared to existing products. The state-of-the-art technology can be managed remotely allowing low-cost maintenance in such environments. Due to the intelligent low-cost and low-carbon footprint aspects of the Illuminex products, the Board is of the belief that there is currently no known competition offering comparable products to the Illuminex systems.

The superiority of the product was demonstrated post period in March 2008 when Eruma announced that it had entered into an agreement with Philips Lighting UK, the UK lighting division of Royal Philips Electronics. Philips Lighting UK will market the DALI protocol version of Illuminex's Xscape Series emergency lighting product range within the UK.

The Xscape products incorporate the Philips 'K2' and 'Rebel' LED technology, which together with the use of lithium battery technology and microprocessor control, provide considerable benefits including up to a 98% reduction in energy consumption when compared with a standard 8 watt fluorescent tube luminaire. Additionally, these intelligent products have an inbuilt testing capability and internal memories for retrieval of data at any time which ensure all major components are fully monitored according to the stipulated code of practice and also keep maintenance costs to a minimum.

Chairman's report *(continued)*

Financial Results

I am pleased to report that revenue continues to increase year on year with an increase of 74% to £955,000 and that orders taken by Eruma in the same period increased to £1.1 million, a growth of 68%. Operating loss before tax is £837,000 (2006: £878,000) and basic loss per share is 0.9p (2006: 1.14p).

Fundraising

During the period the Company raised £1.42 million through the issue of 20.15 million new ordinary shares. The proceeds of these placings were used for general working capital as well as the training of our enlarged full time staff of 30, R&D across our product range and increased sales and marketing. We also created volume stocks of the Illuminex product in addition to taking initial steps towards expanding global penetration into the anti-terrorist markets.

Institutional Investment

In December 2007 we welcomed Majedie Investments plc as our first major institutional shareholder, which I believe is a positive reflection of the work the Company undertook within the period to progress to the next stage of development. Looking forward I hope to further strengthen our shareholder base and attract additional institutional investors as the Company progresses.

The Board

During the period we welcomed Kevin Coffey and David Alexander as Executive Director and Non-Executive Director respectively. Kevin joined the board following the acquisition of Illuminex where he is General Manager and brings to Eruma over 30 years of experience in R&D as well as 20 years experience in manufacture of micro controller techniques. He is also well versed in the security business with previous experience at organisations including EMI, ADT, Tyco and PSS.

David, who joined in July 2007, is currently Managing Director of strategic advisory business Solutionsmtd Limited, which focuses on acceleration through organic development, new market entry mergers and acquisitions. He has held numerous positions within both public and private companies and is also a published author and lecturer on customer relationship management including developing strategic partnerships. We believe David's experience, which includes strategy consulting, financial services and executive search makes him a significant addition to the Board and we look to benefiting from his expertise.

During the period, Finance Director Nigel Young stepped down from the Board due to his relocating to Qatar. We thank Nigel for all of his help in the early years of the Company, particularly through the AIM admission process, and wish him and his family good luck in their new life in Qatar.

Outlook

2007 saw significant investments for Eruma and this will continue through 2008. We are continuing the development of our Security Blinds products, testing extensively for both ram raiding and blast protection to produce the safest possible range in our chosen market place. We are also continuing to invest in our emergency lighting products through Illuminex and as orders increase we will actively pursue international outsourcing opportunities for our offerings. As the threat of terrorism is ever increasing and the need for green emergency lighting solutions grow, I believe Eruma is ideally placed to become a leading player within the global security industry.

Philip Barnett
Chairman

26 June 2008

Directors' report

The directors present their annual report and the audited financial statements for the year to 31 December 2007.

Principal activities

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

Business Review

A review of the Group's business during the financial period and its likely developments are given in the Chairman statements on pages 2 and 3.

Group loss before tax for the financial period, prepared under accounting policies outlined on pages 10 and 11, was £837,000 (2006: £878,000).

Key performance indicators

Revenue for 2007 was £955,000, this compared to £548,000 for the previous year. This represented a significant increase and created a gross margin of £343,000 (36%) (2006: £132,000 (24%)).

Key risks and uncertainties

The directors are optimistic of continued revenue growth in 2008. In addition it is hoped that there will be a growing revenue stream from USA as a result of the licence signed in 2006 and products developed during the year.

For 2008 the directors expect significant increase in revenue as well as the gross margin. Continuing improvement in the gross margin will be dependent on:

Increasing volumes

Controlling discounts

Cost of raw materials

No unforeseen negative events that could significantly impact our business

Proposed dividend

The directors do not recommended the payment of a dividend during the year.

Directors and directors' interest

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

Phillip Barnett
Alan Davis
Wayne Money
Brian Wilkins
Nigel Young (resigned 31 January 2008)
David Alexander (appointed 18 July 2007)
Kevin Coffey (appointed 18 July 2007)

Directors' report *(continued)*

Details of directors' beneficial interest in shares are as follows:

	Ordinary shares of 1p each	
	31 December 2007	**31 December 2006**
Philip Barnett	100,000	100,000
Alan Davis	66,649	66,649
Wayne Money	13,447,995	13,447,995
Brian Wilkins	15,060,350	15,060,350
Nigel Young	2,891,978	2,891,978
Kevin Coffey	4,000,000	–

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

As at 31 December 2007 the Company had granted the following options and warrants to the directors of the company.

	Exercise Price per ordinary share	**Number of ordinary shares under option**	**Type**	**Grant date**
Philip Barnett	6p	400,000	Warrants	1 July 2005
	6p	600,000	Warrants	14 August 2006
	8p	300,000	Warrants	31 December 2006
	6p	450,000	Warrants	15 March 2007
Alan Davis	6p	400,000	Warrants	18 October 2005
	6p	600,000	Warrants	14 August 2006
	8p	300,000	Warrants	31 December 2006
	6p	750,000	Warrants	15 March 2007
Wayne Money	6p	666,667	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	1,000,000	Warrants	31 December 2006
	5p	1,666,667	EMI	19 June 2007
	6p	937,500	Warrants	15 March 2007
Brian Wilkins	6p	666,667	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	650,000	Warrants	31 December 2006
	5p	1,666,667	EMI	19 June 2007
	6p	750,000	Warrants	15 March 2007
Nigel Young	6p	666,666	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	650,000	Warrants	31 December 2006
	5p	1,666,667	EMI	19 June 2007
	6p	750,000	Warrants	15 March 2007
David Alexander	6p	400,000	Warrants	20 July 2007

Political and charitable contribution

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

Directors' report *(continued)*

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. 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 140 (2006:67) days.

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 being taken by the full Board.

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable accounting standards have been followed, 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 group will continue in business.

The directors are responsible for keeping proper accounting record which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statetements with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Audit Information

The directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware and that each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of the information.

Substantial interests

As at 27 May 2008, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital:

	Holdings %
W. Money	11.43%
R. Brooks	11.08%
B. Wilkins	12.81%
Roy Nominees	6.71%
Pershing Keen Nominees Ltd	5.95%
J M Finn Nominees Ltd	5.40%
K. Coffey	3.40%

Directors' report *(continued)*

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 bought against its directors and officers.

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.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution reappointing Jeffreys Henry LLP as auditors is to be proposed at the forthcoming General Meeting.

On behalf of the board

Wayne Money
Director

26 June 2008

Report of the independent auditors to the members of Eruma Plc

We have audited the Group and Parent Company financial statements of Eruma Plc for the year end 31 December 2007, which comprise the Group and Parent Company Income Statement, the Balance Sheet, Cash Flow Statement, the Statement of Change in Equity and the relevant notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Company Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 described in the statements of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

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

We read the other information contained in the Annual Report, comprising only the directors' report and chairman's statements, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we are considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

Report of the independent auditors to the members of Eruma Plc *(continued)*

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of group's affairs as at 31 December 2007 and of the loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with provisions of Companies Act 1985, of the state of affairs of the parent company as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and as regard to the group financial statements, article 4 of the IAS regulation; and
- the information given in directors' report is consistent with the financial statements.

Jeffreys Henry LLP
Chartered Accountants
Registered Auditor

Finsgate
5 – 7 Cranwood Street
London EC1V 9EE

26 June 2008

ERUMA PLC

Consolidated income statement
For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £'000	Period ended 31 December 2006 £'000 (restated)
Revenue	**3**	955	548
Cost of sales		(612)	(416)
Gross Profit		343	132
Distribution expenses		(624)	(314)
Administrative expenses		(561)	(713)
Operating Loss	**7**	(842)	(895)
Investment income	**4**	6	18
Finance costs	**5**	(1)	(1)
Loss before tax		(837)	(878)
Income tax expense	**6**	–	–
Loss for the year from continuing operations attributable to shareholders		(837)	(878)
Loss per share			
From continuing operations:			
Basic and Diluted	**9**	(0.90p)	(1.14p)

ERUMA PLC

Consolidated balance sheet
At 31 December 2007

	Notes	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	**10**	45	10
Goodwill	**11**	1,472	871
Other intangible assets	**12**	261	39
		1,778	920
Current assets			
Inventories	**14**	75	28
Trade and other receivables	**15**	332	43
Cash and cash equivalents	**16**	407	429
		814	500
Total Assets		2,592	1,420
Equity and liabilities			
Capital and reserves			
Share capital	**19**	1,094	847
Share Premium	**20**	2,799	1,358
Retained loss	**21**	(2,088)	(1,251)
Total equity		1,805	954
Non-current liabilities			
Other non-bank loans	**18**	329	329
Current liabilities			
Trade and other payables	**17**	422	134
Other loans	**18**	–	3
Bank overdraft	**18**	36	–
		458	137
Total liabilities		787	466
Total equity and liabilities		2,592	1,420

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2008. They were signed on its behalf by:

Wayne Money
Director

26 June 2008

ERUMA PLC

Consolidated statements of change in equity
For the year ended 31 December 2007

	Share Capital £'000s	Share Premium £'000s	Retained Loss £'000s	Total £'000s
At 1 January 2006	696	495	(373)	818
Issue of share capital	151	863	–	1,014
Loss after tax for the year	–	–	(878)	(878)
At 1 January 2007	847	1,358	(1,251)	954
Issue of share capital	247	1,441	–	1,688
Loss after tax for the year	–	–	(837)	(837)
At 31 December 2007	1,094	2,799	(2,088)	1,805

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 initial public offering on the Alternative Investment Market of the London Stock Exchange.

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

ERUMA PLC

Consolidated cash flow statement
For the year ended 31 December 2007

	31 December 2007 £'000	31 December 2006 £'000
Operating activities	(1,009)	(922)
Investing activities		
Interest received	6	18
Interest paid	(1)	(1)
Purchase of plant and equipment	(43)	(6)
Purchase of patents and trademarks	(1)	–
Capitalisation of product development cost	(223)	–
Acquisition of subsidiary	(125)	–
Net cash flow from investing activities	(387)	11
Financing activities		
Proceeds on issue of shares	1,338	1,014
Net cash flow from financing activities	1,338	1,014
Net cash inflow/(outflow)	(58)	103
Cash and cash equivalents at the beginning of the year	429	326
Cash and cash equivalents at the end of the year	371	429
Cash and cash equivalent comprise:		
Cash held at bank	57	77
Bank overdraft	(36)	–
Cash held in short-term bank deposit	350	352
Cash and cash equivalent at the end of the year	371	429

Notes to the consolidated cash flow statement
For the year ended 31 December 2007

	31 December 2007 £'000	31 December 2006 £'000
Operating activities		
Loss for the year	(842)	(895)
Adjustments for:		
Depreciation of property, plant and equipment	8	6
Amortisation of other intangible assets	2	2
Operating cash flows before movements in working capital	(832)	(887)
Increase in inventories	(47)	(10)
Increase in receivables	(288)	(38)
Increase/(decrease) in payables	158	(7)
Net cash outflow from operating activities	(1,009)	(922)

ERUMA PLC

Company balance sheet
At 31 December 2007

	Notes	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Assets			
Non-current assets			
Investments	**13**	1,122	522
Loan to subsidiaries	**13**	1,466	522
		2,588	522
Current assets			
Trade and other receivables	**15**	23	733
Cash and cash equivalents	**16**	360	373
		383	1,106
Total Assets		2,971	1,628
Equity and liabilities			
Capital and reserves			
Share capital	**19**	1,094	847
Share premium	**20**	2,799	1,358
Retained loss	**21**	(1,092)	(619)
Total equity		2,801	1,586
Current liabilities			
Trade and other payables	**17**	170	42
Total liabilities		170	42
Total equity and liabilities		2,971	1,628

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2008. They were signed on its behalf by:

Wayne Money
Director

26 June 2008

Company statements of change in equity
For the year ended 31 December 2007

	Share Capital £'000s	Share Premium £'000s	Retained Loss £'000s	Total £'000s
At 1 January 2006	696	495	(162)	1,029
Issue of share capital	151	863	–	1,014
Loss after tax for the year	–	–	(457)	(457)
At 1 January 2007	847	1,358	(619)	1,586
Issue of share capital	247	1,441	–	1,688
Loss after tax for the year	–	–	(473)	(473)
At 31 December 2007	1,094	2,799	(1,092)	2,801

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 initial public offering on the Alternative Investment Market of the London Stock Exchange.

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

ERUMA PLC

Company cash flow statement
For the year ended 31 December 2007

	31 December 2007 £'000	31 December 2006 £'000
Operating activities	(1,009)	(922)
Investing activities		
Interest received	6	18
Acquisition of subsidiary	(125)	–
Net cash flow from investing activities	(119)	18
Financing activities		
Proceeds on issue of shares	1,338	1,014
Loans to subsidiary	(864)	–
Net cash flow from financing activities	474	1,014
Net cash inflow/(outflow) for the year	(13)	63
Cash and cash equivalents at the beginning of the year	373	310
Cash and cash equivalents at the end of the year	360	373
Cash and cash equivalent comprise:		
Cash held at bank	10	55
Bank overdraft	(36)	–
Cash held in short-term bank deposit	350	318
Cash and cash equivalent at the end of the year	360	373

Notes to the company cash flow statement
For the year ended 31 December 2007

	31 December 2007 £'000	31 December 2006 £'000
Operating activities		
Loss for the year	(478)	(475)
(Increase)/decrease in receivables	106	(477)
Increase/(decrease) in payables	4	(17)
Net cash (outflow)/inflow from operating activities	(368)	(969)

Notes to the consolidated financial statements
For the year ended 31 December 2007

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with those parts of the Companies Act 1985 applicable to Companies reporting under IFRS.

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.

During the year the Group has reclassified certain administrative expenses totalling £314,000 as distribution expenses for a fairer presentation of expenses for the Group.

The directors consider that it is appropriate to prepare these financial statements on a going concern basis as the Company continues to have the support of its investors. Management monitors rolling forecasts of the Company's liquidity reserve (long term loans and overdrafts) and cash and cash equivalents on the basis of expected cash flow.

The following IFRSs and amendments have been implemented by the International Accounting Standards Board but none is expected to have a material impact on the results or net assets of the Group.

IFRS 7 – 'Financial Instruments: Disclosures' was issued in August 2005. It replaces IAS 32 – 'Financial Instruments: Disclosures and Presentation' with revised and additional disclosures. The Group has implemented it in this period.

IFRIC 8 – 'Scope of IFRS 2'. This standard does not have any impact on the Group's financial statements.

IFRIC 10 – 'Interim Financial Reporting and Impairment'. This standard does not have any impact on the Group's financial statements.

IFRIC 11 – 'IFRS 2 – Group and Treasury Share Transactions'. This standard does not have any impact on the Group's financial statements.

Standards, amendments and interpretations effective in 2007 but not relevant.

The following standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

IFRS 4 – 'Insurance Contracts';

IFRIC 7 – 'Applying the restatement approach under IAS 29, Financial Reporting in Hyper-inflationary Economics'; and

IFRIC 9 – 'Re-assessment of Embeded Derivative'.

Standards, amendments and interpretations to existing standards that are not effective and have not been early adopted by the Group.

IFRS 8 – 'Operating Segments' was issued in November 2006. It replaces IAS 14 – 'Segmental Reporting' and requires operating segments to be disclosed on the same basis as that used for internal reporting. It is required to be implemented by the Group from 1 January 2009, and will have no impact on the results or net assets of the Group.

1. Significant accounting policies *(continued)*

Basis of accounting *(continued)*

Amendments to IAS 23 – 'Borrowing Costs' was issued in March 2007. It removes the option of immediately expensing borrowing costs that are directly attributed to a qualifying asset and requires such costs to be capitalized. It is required to be implemented by the Group from 1 January 2009 but it is not expected to have a material impact on the results or net assets of the Group.

IFRIC 14 – 'IAS 19' (effective from 1 January 2008). Interpretations to existing standards that are not yet effective and not relevant for the Group's operations.

IFRS 12 – 'Service Concession Arrangements' (effective 1 January 2008).

IFRS 13 – 'Customer Loyalty Programmes' (effective 1 January 2008).

Critial 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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. These calculations require the use of estimates. Critical judgements in applying the entity's accounting policies have been made for the warrants provisions (see below).

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 income statement 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 their accounting policies into line with those used by other members of the Group.

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

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of security blinds and emergency lighting systems 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.

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

1. **Significant accounting policies** *(continued)*

Business combinations *(continued)*

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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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 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.

In 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 in 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.

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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1. **Significant accounting policies** *(continued)*

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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 income statement.

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 income statement 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, and 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 business combination or other assets and liabilities in a transaction that 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 interest in join ventures, except where the Group is able to control the reversal of the temporary difference and its 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.

Notes to the consolidated financial statements
For the year ended 31 December 2007

1. **Significant accounting policies** *(continued)*

Plant and equipment *(continued)*

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 profit or loss.

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;
- 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.

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. Not realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing selling and distribution.

1. **Significant accounting policies** *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is profitable 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

The Security Blinds offers a ten year warranty on products sold with a 'Secure' 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 accounts 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 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, gain 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 en 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.

1. Significant accounting policies *(continued)*

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 conterparties 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 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 conterparties 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 Company into the foreseeable future. The Company has access to funds from its parent. These are disclosed within Trade and Other Payables. Due to the nature of the Company's operations, from time to time the Company's parent seeks additional funds for development from its investors. Management monitors rolling forecasts of the Company's liquidity reserve (long term loans and overdraft) and cash and cash equivalents on the basis of expected cash flow.

Notes to the consolidated financial statements
For the year ended 31 December 2007

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 2007 £'000	Emergency Lighting 2007 £'000	Total 2007 £'000	Security Blinds 2006 £'000	Emergency Lighting 2006 £'000	Total 2006 £'000
Revenue	955	–	955	548	–	548
Operating loss before amortization of acquisition related intangibles and share based payment charges	(952)	(83)	(1,035)	(893)	–	(893)
Amortisation of acquisition related intangibles	(2)	–	(2)	(2)	–	(2)
Other operating income	–	195	195	–	–	–
Operating loss	(950)	112	(842)			(895)
Net finance income			5			17
Loss before taxation			(837)			(878)
Segment Assets						
Property, plant and equipment	4	41	45	10	–	10
Intangible assets	948	785	1,733	910	–	910
Current assets	769	45	814	500	–	500
	1,721	871	2,592	1,420	–	1,420

The geographical segment consists of United Kingdom only.

	United Kingdom 2007 £'000	Total 2007 £'000	United Kingdom 2006 £'000	Total 2006 £'000
Revenue	955	955	549	549
Total Assets	2,592	2,592	1,420	1,420
Capital Expenditure	43	43	7	7

3. Revenue

	31 December 2007 Group £'000	31 December 2006 Group £'000
An analysis of the Group's revenue for the year is as follows:		
Continuing operations		
Sales of security blinds	955	548

Notes to the consolidated financial statements
For the year ended 31 December 2007

4. Investment Income

	31 December 2007 Group £'000	31 December 2006 Group £'000
Interest on bank deposits	6	18

5. Finance cost

	31 December 2007 Group £'000	31 December 2006 Group £'000
Continuing operations		
Interest on bank overdraft and loans	1	1

6. Income tax expense

Based on the results, no provision has been made for corporation charge.

The total charge for the year can be reconciled to the accounting profit as follows:

	31 December 2007 Group £'000	31 December 2006 Group £'000
Loss before tax		
Continuing operations	(837)	(878)
Tax at domestic income tax rate of 30% (2006: 30%)	(251)	(263)
Depreciation	3	2
Losses carried forward	248	261
Tax expense	–	–

The Group has tax losses of £3,650K (2006: £2,507K) to carry forward against future profits. Deferred tax asset arising from these losses of £1,022K (2006: £752K) has not been provided in the accounts das recovery is not probable in the foreseeable future.

7. Operating loss for the year

	31 December 2007 Group £'000	31 December 2006 Group £'000
Operating loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	8	6
Amortisation of intangibles	2	2
Operating lease rentals – Other	69	57
Kevin Coffey's loan waiver	(195)	–
Auditors remuneration – Annual audit	19	14
Advertising and marketing	227	231

Notes to the consolidated financial statements
For the year ended 31 December 2007

8. Loss of parent company

As permitted by Section 230 of the Companies Act 1985, 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 £472,000 (2006: £457,000).

9. Earnings per share

From continuing operations

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 2007	**31 December 2006**
Earnings (£'000)	(837)	(878)
Weighted average no. of ordinary shares – Basic	93,415,994	77,170,348
Weighted average no. of ordinary shares – Diluted	96,059,145	80,014,771

10. Plant and equipment – Group

	Plant and Machinery £'000	**Fixtures and Fittings £'000**	**Total £'000**
Cost			
At 1 January 2007	33	5	38
Additions	38	5	43
At 31 December 2007	71	10	81
Accumulated Depreciation			
At 1 January 2007	23	5	28
Charge for the year	7	1	8
At 31 December 2007	30	6	36
Carrying amount			
At 31 December 2007	41	4	45
At 31 December 2006	10	–	10

10. Plant and equipment – Group *(continued)*

	Plant and Machinery £'000	Fixtures and Fittings £'000	Total £'000
Cost			
At 1 January 2006	26	5	31
Additions	7	–	7
At 31 December 2006	33	5	38
Accumulated Depreciation			
At 1 January 2006	17	4	21
Charge for the year	6	1	7
At 31 December 2006	23	5	28
Carrying amount			
At 31 December 2006	10	–	10
At 31 December 2005	9	1	10

11. Goodwill

	Total £'000
Cost	
At 1 January 2006 and 1 January 2007	872
Additions	600
At 31 December 2007	1,472
Carrying amount	
At 31 December 2007	1,472
At 31 December 2005 and 31 December 2006	872

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 recoverably amount being determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rate, growth rates and changes in income and expenses. The Group considers that it has two cash generating units and the market capitalisation of the company represents 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 12 month period, which takes into account both past performance and expectations for future market developments.

12. Other intangible assets – Group

	Product development cost £'000	Patents and trademarks £'000	Total £'000
Cost			
At 1 January 2007	–	49	49
Additions	223	1	224
At 31 December 2007	223	50	273
Amortisation			
At 1 January 2007	–	10	10
Change for the year	–	2	2
At 31 December 2007	–	12	12
Carrying amount			
At 31 December 2007	223	38	261
At 31 December 2006	–	39	39

	Product development cost £'000	Patents and trademarks £'000	Total £'000
Cost			
At 1 January 2006	–	49	49
Additions	–	–	–
At 31 December 2006	–	49	49
Amortisation			
At 1 January 2006	–	8	8
Change for the year	–	2	2
At 31 December 2006	–	10	10
Carrying amount			
At 31 December 2006	–	39	39
At 31 December 2005	–	41	41

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 the asset is ready for use over their estimated useful lives, which is 10 years. There were no research and development costs expensed in the profit and loss account during the period.

During the year the company acquired intellectual property right on acquisition of a new subsidiary.

13. Subsidiaries

	Cost of investments £'000	Loan to subsidiaries £'000	Total £'000
Cost			
At 1 January 2006 and 1 January 2007	522	–	522
Additions	600	1,466	2,066
At 31 December 2007	1,122	1,466	2,588
Carrying amount			
At 31 December 2007	1,122	1,466	2,588
At 31 December 2005 and 31 December 2006	522	–	522

Details of the company's subsidiaries at 31 December 2007 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

On 1 July 2007, Eruma Plc acquired 100% of the share capital of Illuminex Limited. Eruma Plc issued 5,000,000 ordinary 1p shares at 7p a share and £250,000 cash giving a total consideration for the acquisition of £600,000. The issue price of the shares is considered the fair value for the consideration paid.

The fair value of the assets and liabilities acquired on acquisition were:

		£'000
Intangible assets – product development costs		68
Trade and other receivables		5
Cash and cash equivalents		10
Trade and other payables		(83)
Net assets acquired		–
Fair value of consideration – issue of share	350	
– deferred cash	250	
		600
Goodwill arising on acquisition		600

Loan to subsidiaries are interest free and repayable on demand. The loan amount has been transferred from current asset as the directors do not foresee the loan to be repaid within 12 months.

Notes to the consolidated financial statements
For the year ended 31 December 2007

14. Inventories

	As at 31 December 2007 Group £'000	As at 31 December 2006 Group £'000
Raw materials	16	22
Finished goods	37	–
Work in progress	22	6
	75	28

The cost of inventories recognised as an expense are included in cost of sales amount to £47,000 (2006: £8,000).

15. Trade and other receivables

	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000	As at 31 December 2006 Group £'000	As at 31 December 2006 Company £'000
Amounts receivable from the sale of goods	309	–	37	–
Prepayments	23	23	6	6
Amounts receivable from Group Companies	–	–	–	727
	332	23	43	733

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

Amount payables by related parties are interest free and repayable on demand.

16. Bank balances and cash

	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000	As at 31 December 2006 Group £'000	As at 31 December 2006 Company £'000
Current account	57	10	77	21
Deposit account	350	350	352	352
	407	360	429	373

Bank balances are held by the Group in short term bank deposits with an original maturity of three months or less. The carrying amount of cash, bank balances and overdrafts approximate their fair value.

The effective interest rate on short-term bank deposits is 4.25% (2006: 3.75%). The effective interest rate on bank overdraft is 10% (2006: Nil)

The bank has a first charge over all the present and future assets of the company including the benefits of any licences.

Notes to the consolidated financial statements
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17. Trade and other payables

	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000	As at 31 December 2006 Group £'000	As at 31 December 2006 Company £'000
Trade payables and accruals	270	34	94	20
Other taxes and social security costs	27	11	40	22
Deferred consideration	125	125	40	22
	422	170	134	42

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

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

18. 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 2007 Group £'000	As at 31 December 2007 Company £'000	As at 31 December 2006 Group £'000	As at 31 December 2006 Company £'000
Analysis of capital instruments treated as liabilities				
In one year or less or on demand				
Bank overdraft	36	–	3	–
In more than one year but not more than five years				
Other non-bank loans	329	–	329	–
Analysis of loans		–		
Wholly repayable within five years	365	–	332	–
Included in current liabilities	(36)	–	(3)	–
	329	–	329	–
Loan maturity analysis				
In more than one year but not more than two years				
In more than two years but not more than five years	329	–	329	–

The other non-bank loans of £329,000 arise from the reclassification of shareholders and directors loans, previously interest free and repayable on demand. The loans are now deferred, repayable when the company reaches earnings before tax, depreciation and amortisation of £750,000 in a financial year.

19. Share capital

	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Authorised:		
200,000,000 Ordinary Shares of 1p	2,000	2,000
Allotted, called up and fully paid:		
109,266,142/84,687,142 Ordinary Shares of 1p each	1,094	847

On 6 July 2007 the company placed 12,436,143 ordinary shares of 1p each at 7p per share.

On 10 July 2007 the company placed a further 5,000,000 ordinary shares of 1p each at 7p per share to acquired 100% of the share capital of Illuminex Limited.

On 13 December 2007 the company placed a further 7,142,857 ordinary shares of 1p each at 7p per share.

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:

	2007 Number of options	2007 Weighted average exercise price Pence	2006 Number of options	2006 Weighted average exercise price Pence
Outstanding at beginning of the period	6,000,000	5	6,000,000	5
Options cancelled in period	(6,000,000)	5		
Options granted in period	5,000,001	5		
Outstanding at end of the period	5,000,001	5	6,000,000	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
Option life in years	5
Risk free 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.

Notes to the consolidated financial statements
For the year ended 31 December 2007

19. Share capital *(continued)*

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

	2007 Number of warrants	2007 Weighted average exercise price Pence	2006 Number of warrants	2006 Weighted average exercise price Pence
Outstanding at beginning of the period	9,900,000	6.6	2,800,000	6
Warrants granted in period	7,712,500	6	7,100,000	6.8
Outstanding at end of the period	17,612,500	6.3	9,900,000	6.6

The warrants over ordinary shares that have been issued to employees have a seven year vesting period six months from the grant date. The directors believe the fair value of the warrants issued to date is £Nil as the share price at grant date was 6p; the risk free rate, expected volatility of the company's share price and expected dividend yield calculated do not affect the value significantly.

20. Share Premium

	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Balance at 1 January	1,358	495
Shares issued at premium	1,441	863
Balance at 31 December	2,799	1,358

21. Retained earnings

Group	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Balance at 1 January	(1,251)	(373)
Loss for the year attributable to equity holders of the parent	(837)	(878)
Balance at 31 December	(2,088)	(1,251)

Company	As at 31 December 2007 £'000	As at 31 December 2006 £'000
Balance at 1 January	(619)	(162)
Loss for the year attributable to equity holders of the parent	(473)	(457)
Balance at 31 December	(1,092)	(619)

Notes to the consolidated financial statements
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22. Financial Commitments

	As at 31 December 2007 Group £'000	As at 31 December 2006 Group £'000
Minimum lease payments under operating lease recognised as an expense in the year	56	14
At the balance sheet date, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	39	9
Between two and five years	154	–
In over five years	–	–

23. Directors' emoluments

	Year to 31 December 2007 Group £'000	Year to 31 December 2006 Group £'000
Emoluments for qualifying services	362	275
Directors' fees	–	24
	362	299

24. Employees

No. of employees	2007 Number	2006 Number
The average monthly number of employees (including directors) during the period was:		
Factory staff	13	6
Administration Staff	10	8
Surveyor Staff	1	1
	24	15

Employment costs	Year to 31 December 2007 Group £'000	Year to 31 December 2006 Group £'000
Wages and Salaries	698	457
Social security costs	70	34
	768	491

25. 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.

On acquisition of Illuminex Limited the Group assumed the debt of £70,000 from Kevin Coffey, a director. The debt is interest free and repayable on demand. Other debts owed by the group are those included in note 18.

Some of the Group product development work is undertaken by Peripheral Support Services Limited a Company in which Kevin Coffey is a director. The total value of purchases by the Group from this company during the year was £123,280 (2006: £nil) and the value of the amount owed by the Group at 31 December 2007 was £5,667 (2006: £nil).

During the year, the Group paid Wayne Money, a director of the Company £36,000 (2006: £21,000) in respect of rental fee. The amount owed at the year end was £nil (2006: £nil)

During the year, Kevin Coffey waived a loan owed to him of £195,000 in respect of money advanced to Illuminex Ltd. At the year end, the Company owed Kevin Coffey £125,000 in respect of the deferred consideration relating to the acquisition of Illuminex Limited.

In respect of the transactions during the year with Kevin Coffey, a director of the Company, the independent directors being Wayne Money, Alan Davis, Phillip Barnett, Brian Wilkins and David Alexander, having consulted with the nominated adviser, Beaumont Cornish, consider that the terms of the transactions are fair and reasonable insofar as its shareholders are concerned.

26. Post balance sheet events

On 3 April 2008, the Company issued 8,346,153 ordinary shares of 1p each issued at 6.5p per share.

27. Control

Eruma Plc is a public limited company, and is domiciled an 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.

ERUMA PLC

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Eruma Plc ("the Company") will be held at 9.00 am on 18 August 2008 at Underwood House, Shepherdess Walk Buildings, Underwood Street London N7 7LG to consider and, if thought fit, pass the following Resolutions of which 1 to 8 will be proposed as Ordinary Resolutions and Resolution 9 will be proposed as a Special Resolution.

Ordinary Business:

1. To receive and adopt the audited Statement of Accounts and the Reports of the Directors and the Auditors of the Company for the year ended 31 December 2007.

2. To re-appoint Alan Patrick Davis a Director, who retires by rotation in accordance with Article 106 of the Articles of Association.

3. To re-appoint Kevin John Coffey a Director, who retires in accordance with Article 110 of the Articles of Association.

4. To re-appoint David Edward Joseph Alexander a Director, who retires in accordance with Article 110 of the Articles of Association.

5. To re-appoint Jeffreys Henry LLP as auditors.

6. To authorise the Directors to fix the remuneration of the auditors.

Special Business:

7. **As an Ordinary Resolution:**

   THAT the authorised share capital of the Company be increased from £2,000,000 to £2,500,000 by the creation of 50,000,000 ordinary shares of 1p each ranking pari passu in all respects with the existing ordinary shares of 1p each in the capital of the Company.

8. **As an Ordinary Resolution:**

   THAT (subject to the passing of resolution number 7 set out in the notice of meeting) the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section of the Act) up to an aggregate nominal amount of £967,216 (being an amount equal to the unissued (and unreserved) share capital of the Company) provided that such authority shall expire at the commencement of the Annual General Meeting next held after the passing of this resolution or on 30 September 2009 whichever is sooner save that the Company may pursuant to the authority make offers or agreements before the expiry of the authority which would or might require relevant securities to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the power conferred thereby had not expired.

9. **As a Special Resolution:**

   THAT (subject to the passing of resolution number 8 set out in the notice of meeting) the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of s.94 (2) of the Act) wholly for cash pursuant to the general authority conferred by resolution number 8 in the notice of meeting as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to allotments of equity securities:

   (i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;

(ii) up to an aggregate nominal amount of £200,000 (representing approximately 15.61% of the issued share capital) in connection with a share option scheme of the Company; and

(iii) otherwise than pursuant to sub-paragraphs (i) and (ii) above, up to an aggregate nominal amount of £640,518 (representing approximately 50% per cent of the Company's issued share capital)

and such power shall expire at the commencement of the Annual General Meeting next held after the passing of this resolution or on 30 September 2009 whichever is sooner, but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the Directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if that the power conferred by this resolution had not expired.

In this Resolution the expression 'Equity Securities' and references to the allotment of Equity Securities shall bear the same respective meanings as in section 94 of the Act.

BY ORDER OF THE BOARD

Wayne Money
Director

26 June 2008

ERUMA PLC

NOTICE OF ANNUAL GENERAL MEETING

(1) A member entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a member of the Company.

(2) Forms of Proxy, together with any Power of Attorney or other authority under which it is executed or a notarially certified copy thereof, must be completed and, to be valid, must reach the Company Secretary at Underwood House, Shepherdess Walk Buildings, Underwood Street, London N1 7LG not less than forty-eight hours before the time appointed for the holding of the meeting.

(3) If the appointor is a corporation, this Form of Proxy must be under its common seal or under the hand of an officer or attorney duly authorised.

(4) The appointment of a proxy does not preclude a member from attending and voting at the meeting.

(5) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holders(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

(6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001/3755). Reg. 41(1) and (2), only those shareholders on the Register of Shareholders at 10.00 am on 16 August 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholder must be entered on the Company's Register of Shareholders at the time which is 48 hours before the time appointed for holding the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

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