

Company No: 5388153

ERUMA PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

JEFFREYS HENRY LLP
Chartered Accountants
Finsgate
5-7 Cranwood Street
London EC1V 9EE

ERUMA PLC

LIST OF ADVISORS

Nominated Advisor	Beaumont Cornish Limited 10–12 Cophall Avenue London EC2R 7DE
Broker	S P Angel & Co Limited East India House 109–117 Middlesex Street London E1 7JF
Solicitors to the Company	Kerman & Co LLP 7 Savoy Court Strand London WC2R 0ER
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

ERUMA PLC

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Chairman's Report

Introduction

2006, the first full 12 month trading period for Eruma was highly successful with the Company exceeding its objectives. Investment in people, processes and marketing activity resulted in significant growth. Orders for the year showed an increase of more than seven fold and installations for the year showed an almost six fold increase over the reported revenues for 2005. This increase has been brought about by recruitment of high calibre sales professionals, focused campaigns in our chosen vertical markets, ongoing training of staff with particular emphasis in the sales function.

Financial Results

The loss for the year was £878,000 representing a loss per share of 1.14 pence. Revenue for the year grew to £548K from £93K in the previous period. The Gross Margin for the period was £132K (24%) compared to a loss of £57K (-61%) in 2005. Administrative expenses rose to £1,027K (2005 £317K), this reflects the investment in marketing activity, people and the acquisition of an American partner.

Achievements

- Strengthening of the sales function with the recruitment of a Business Development Director, the establishment of a marketing department and the recruitment of high level sales executives.
- The signing of a Sales and Distribution Licence with an American partner. The first significant order was received prior to the year end.
- Broadening of the customer base in the areas of education, particularly schools and universities, financial institutions, utilities and various police constabularies.
- Significant repeat business is being obtained from our major blue chip client base.
- Increase in average order value coupled with a higher gross margin.

Outlook and Trading Update

I am pleased to report that the outlook for 2007 remains strong with our outsourcing strategy progressing well with the appointment of two companies to assist with our manufacturing demand.

The investment in marketing activities has led to the identification of significant sales opportunities which we are now pursuing. Your board is committed to expanding the Company's business outside of the UK, in Europe and the USA and is optimistic about the substantial revenue opportunities available in these areas.

I am particularly delighted to be able to report that the orders taken by your Company to the end of May 2007 already exceed our total revenue for 2006. I am confident that we will continue to deliver high levels of growth for the remainder of the year.

Philip Barnett
Chairman

21 June 2007

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Directors' report

The directors present their annual report and the audited financial statements for the year to 31 December 2006.

Principal activities

The principal activity of the Group is the manufacture and installation of security blinds.

Business review

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

Group loss before tax for the financial period, prepared under accounting policies outlined on pages 14 to 16, was £878,000 (2005 – £373,000).

Key performance indicators

Revenue for 2006 was £548K, this compared to £93K for the previous period. This represented a significant increase and created a gross margin of £132K (24%) this compared with a negative gross margin of £57K for the previous period.

Key risks and uncertainties

The directors are optimistic of continued revenue growth in 2007. In addition it is hoped that there will be a growing revenue stream from the USA as a result of the licence signed in 2006.

For 2007 the Directors expect significant increases 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 occur.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and director's interests

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

Philip Barnett
Alan Davis
Wayne Money
Brian Wilkins
Nigel Young

Details of Directors beneficial interests in shares are as follows:

	Ordinary shares of 1p each	
	31 December 2006	31 December 2005
Philip Barnett	100,000	–
Alan Davis	66,649	–
Wayne Money	13,447,955	13,447,955
Brian Wilkins	15,060,350	15,060,350
Nigel Young	2,891,978	2,891,978

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

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Directors' report *(continued)*

Directors share options

As at 31 December 2006 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
Alan Davis	6p	400,000	Warrants	18 October 2005
	6p	600,000	Warrants	14 August 2006
	8p	300,000	Warrants	31 December 2006
Wayne Money	5p	2,000,000	Emi	1 July 2005
	6p	666,667	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	1,000,000	Warrants	31 December 2006
Brian Wilkins	5p	2,000,000	EMI	1 July 2005
	6p	666,667	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	650,000	Warrants	31 December 2006
Nigel Young	5p	2,000,000	EMI	1 July 2005
	6p	666,666	Warrants	1 July 2005
	6p	1,000,000	Warrants	14 August 2006
	8p	650,000	Warrants	31 December 2006

Political and charitable contributions

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 payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. Creditor days at the end of the year were 67 (2005 – 120 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;

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Directors' report *(continued)*

- 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 records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

The directors have been notified that at the date of this report the following have a substantial interest in the share capital of the Company.

	Holding %
R. Brooks	15.38%
W. Money	15.88%
Pershing Keen Nominees Ltd	7.65%
B. Wilkins	17.78%
N. Young	3.41%

Auditors

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

By Order of the board

Nigel Young
Secretary

21 June 2007

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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 ended 31 December 2006, which comprise the Group and Parent Company Income statement the Group and Parent Company Balance Sheet, the Group cash flow statement, the group statements of changes in equity and the related 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 Companies Act 1985. 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 auditor's 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 described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and 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 require 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 statement, 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 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of affairs of the Company and the Group as at 31 December 2006 and of the loss of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985, Article 4 of the IAS Regulations.
- 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

21 June 2007

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Consolidated income statement
For the period ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Continuing operations			
Revenue	2	548	93
Cost of sales		<u>(416)</u>	<u>(150)</u>
Gross Profit/(Loss)		132	(57)
Administrative expenses		<u>(1,027)</u>	<u>(317)</u>
Operating loss		(895)	(374)
Investment revenues	3	18	8
Finance costs	4	<u>(1)</u>	<u>(7)</u>
Loss before tax	6	<u>(878)</u>	<u>(373)</u>
Income tax charges		<u>—</u>	<u>—</u>
Loss for the period from continuing operations attributable to shareholders		<u>(878)</u>	<u>(373)</u>
Loss per share			
From continuing operations:			
Basic	7	<u>(1.14p)</u>	<u>(0.6p)</u>
Diluted	7	<u>(1.10p)</u>	<u>(0.6p)</u>

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Consolidated and Company balance sheet At 31 December 2006

	Notes	Group As at 31 December 2006 £'000s	Company As at 31 December 2006 £'000s	Group As at 31 December 2005 £'000s	Company As at 31 December 2005 £'000s
Assets					
<i>Non-current assets</i>					
Property, plant and equipment	8	10	–	10	–
Goodwill	9	871	–	871	–
Other intangible assets	10	39	–	41	–
Investments		–	522	–	522
		<u>920</u>	<u>522</u>	<u>922</u>	<u>522</u>
<i>Current assets</i>					
Inventories	12	28	–	38	–
Trade and other receivables	13	43	733	5	256
Cash and cash equivalents		429	373	326	310
		<u>500</u>	<u>1,106</u>	<u>369</u>	<u>566</u>
Total assets		<u>1,420</u>	<u>1,628</u>	<u>1,291</u>	<u>1,088</u>
Equity and liabilities					
<i>Capital and reserves</i>					
Share capital	14	847	847	696	696
Capital Reserves	15	1,358	1,358	495	495
Retained earnings	16	(1,251)	(619)	(373)	(162)
Total equity		<u>954</u>	<u>1,586</u>	<u>818</u>	<u>1,029</u>
<i>Non current liabilities</i>					
Other loans	18	329	–	332	–
		<u>329</u>	<u>–</u>	<u>332</u>	<u>–</u>
<i>Current liabilities</i>					
Trade and other payables	17	134	42	120	59
Other loans		3	–	21	–
		<u>137</u>	<u>42</u>	<u>141</u>	<u>59</u>
Total liabilities		<u>466</u>	<u>42</u>	<u>473</u>	<u>59</u>
Total equity and liabilities		<u>1,420</u>	<u>1,628</u>	<u>1,291</u>	<u>1,088</u>

These financial statements were approved by the Board of Directors and authorised for issue on 21 June 2007. They were signed on its behalf by:

Nigel Young
Director

21 June 2007

ERUMA PLC

Consolidated statement of changes in equity For the period ended 31 December 2006

	Group As at 31 December 2006 £'000s	Group As at 31 December 2005 £'000s
As at 1 January 2006	818	-
Loss for the year	(878)	(373)
Issue of share capital	<u>1,014</u>	<u>1,191</u>
As at 31 December 2006	<u><u>954</u></u>	<u><u>818</u></u>

ERUMA PLC**Consolidated cash flow statement
For the period ended 31 December 2006**

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Operating activities	(922)	(342)
Investing activities		
Interest received	18	8
Interest paid	(1)	(7)
Purchases of plant and equipment	(6)	(1)
Purchases of patents and trademarks	–	(1)
Financing activities		
Proceeds on issue of shares	<u>1,014</u>	<u>669</u>
Net cash inflow	<u>103</u>	<u>326</u>
Cash and cash equivalents at the beginning of the year	326	–
Cash and cash equivalents at the end of the year	<u><u>429</u></u>	<u><u>326</u></u>

ERUMA PLC**Consolidated cash flow statement**
For the period ended 31 December 2006 *(continued)*

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Operating activities		
Loss for the period	(895)	(374)
Adjustments for:		
Depreciation of property, plant and equipment	6	6
Amortisation of other intangible assets	<u>2</u>	<u>2</u>
Operating cash flows before movements in working capital	(887)	(366)
(Increase)/Decrease in inventories	10	(15)
(Increase)/Decrease in receivables	(38)	29
Increase/(Decrease) in payables	<u>(7)</u>	<u>10</u>
Net cash outflow from operating activities	<u>(922)</u>	<u>(342)</u>

**Notes to the consolidated financial statements
For the period ended 31 December 2006**

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out 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 to 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

Revenue comprises sales of security blinds to customers outside the Group and is stated net of Value Added Tax.

Business combinations

The acquisitions 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 acquire, 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.

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.

**Notes to the consolidated financial statements
For the period ended 31 December 2006**

1. Significant accounting policies *(continued)*

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 asset 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.

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 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.

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.

**Notes to the consolidated financial statements
For the period ended 31 December 2006**

1. Significant accounting policies *(continued)*

Trade receivables

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

Trade payables

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

Equity instruments

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

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 substantively 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 difference arises from goodwill or from the initial recognition other than in a business combination) of 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 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.

**Notes to the consolidated financial statements
For the period ended 31 December 2006**

1. Significant accounting policies *(continued)*

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 or valuation of assets over their estimated useful lives, using the straight-line method.

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 loss 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.

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 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.

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.

2. Revenue

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
An analysis of the Group's revenue for the period is as follows:		
Continuing operations		
Sales of security blinds	548	93
	<u> </u>	<u> </u>
3. Investment Income		
Interest on bank deposits	18	8
	<u> </u>	<u> </u>
4. Finance costs		
Continuing operations		
Interest on bank overdrafts and loans	1	7
	<u> </u>	<u> </u>

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Notes to the consolidated financial statements For the period ended 31 December 2006

5. Income tax expense

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

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

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Profit before tax		
Continuing operations	(878)	(373)
Tax at domestic income tax rate of 19%	(167)	(71)
Depreciation	2	2
Losses carried forward	(165)	69
Tax expense	–	–

The Group has tax losses of £2,507,000 (2005 – £1,638,000) to carry forward against future profits. Deferred tax asset arising from these losses of £476,330 (2005 – £311,220) has not been provided in the accounts as recovery is not probable in the foreseeable future.

6. Loss for the period

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Loss for the period has been arrived at after charging:		
Depreciation of plant and equipment		
Plant and equipment	7	6
Amortisation of intangibles	2	2
Operating lease rentals – Other	57	15
Auditors remuneration		
– Annual audit	8	8
– Non-audit related services	–	25

7. 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:

	Year ended 31 December 2006 £'000	Period ended 31 December 2005 £'000
Earnings	(878)	(373)
Weighted average no. of ordinary shares – Basic	77,170,348	61,779,094
Weighted average no. of ordinary shares – Diluted	80,014,771	62,963,374

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Notes to the consolidated financial statements For the period ended 31 December 2006

8. Plant and equipment – Group

	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	<u>33</u>	<u>5</u>	<u>38</u>
Accumulated Depreciation			
At 1 January 2006	17	4	21
Charge for the year	6	1	7
At 31 December 2006	<u>23</u>	<u>5</u>	<u>28</u>
Carrying amount			
At 31 December 2006	<u>10</u>	<u>–</u>	<u>10</u>
At 31 December 2005	<u>9</u>	<u>1</u>	<u>10</u>

The following rates are used for depreciation of property, plant and equipment.

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

9. Goodwill

	Total £'000
Cost	
At 1 January 2006	871
Additions	–
At 31 December 2006	<u>871</u>
Amortisation	
At 1 January 2006	–
Charge for the period	–
At 31 December 2006	<u>–</u>
Carrying amount	
At 31 December 2006	<u>871</u>
At 31 December 2005	<u>871</u>

The above goodwill arose on the acquisition of Security Blinds Limited on 30 March 2005. The Group's policy is to test goodwill for impairment annually. The Group considers that it has one cash generating unit and the market capitalisation of the company represents the value of the goodwill. On this basis there has been no improvement of goodwill during the period.

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Notes to the consolidated financial statements For the period ended 31 December 2006

10. Other intangible assets – Group

	Patents and trademarks £'000
Cost	
At 1 January 2006	49
Additions	–
At 31 December 2006	<u>49</u>
Amortisation	
At 1 January 2006	8
Charge for the year	2
At 31 December 2006	<u>10</u>
Carrying amount	
At 31 December 2006	<u>39</u>
At 31 December 2005	<u>41</u>

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

11. Subsidiaries

Details of the company's subsidiaries at 31 December 2006 are as 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

12. Inventories

	As at 31 December 2006 Group £'000	As at 31 December 2005 Group £'000
Raw materials	<u>28</u>	<u>38</u>

ERUMA PLC

Notes to the consolidated financial statements For the period ended 31 December 2006

13. Other financial assets

Trade and other receivables

	As at 31 December 2006 Group £'000s	As at 31 December 2006 Company £'000s	As at 31 December 2005 Group £'000s	As at 31 December 2005 Company £'000s
Amounts receivable from the sale of goods	37	–	2	2
Prepayments	6	6	3	3
Amounts receivable from Group Companies	–	727	–	251
	<u>43</u>	<u>733</u>	<u>5</u>	<u>256</u>

Bank balances and cash

Bank balances and cash comprise held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Credit risk

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

ERUMA PLC

Notes to the consolidated financial statements For the period ended 31 December 2006

14. Share capital

	As at 31 December 2006 £'000s	As at 31 December 2005 £'000s
Authorised:		
200,000,000 Ordinary Shares of 1p each	2,000	2,000
Allotted, called up and fully paid:		
84,687,142/69,600,000 Ordinary Shares of 1p each	847	696

On 31 May 2006 the company placed 12,944,285 ordinary shares of 1p each at 7p per share.

On 7 July 2006 the company placed a further 2,142,858 ordinary shares of 1p each at 7p per share.

The following directors were issued Options and Warrants to subscribe for Ordinary shares as follows:

	On 14 August 2006		On 31 December 2006	
	Warrants granted over ordinary shares	Warrants Exercise Price	Warrants granted over ordinary shares	Warrants Exercise Price
Wayne Money	1,000,000	6p	1,000,000	8p
Nigel Young	1,000,000	6p	650,000	8p
Brian Wilkins	1,000,000	6p	650,000	8p
Philip Barnett	600,000	6p	300,000	8p
Alan Davis	600,000	6p	300,000	8p

The company measured the fair value of the Options using the binominal model and concluded that there was no cost to recognise in the period.

15. Capital Reserves

	As at 31 December 2006 £'000s	As at 31 December 2005 £'000s
Balance at 1 January 2006	495	–
Shares issued at premium	863	495
Balance at 31 December 2006	1,358	495

16. Retained earnings

	As at 31 December 2006 Group £'000	As at 31 December 2005 Company £'000
Balance at 1 January 2006	(373)	(162)
Loss for the year attributable to equity holders of the parent	(878)	(457)
Balance at 31 December 2006	(1,251)	(619)

ERUMA PLC

Notes to the consolidated financial statements For the period ended 31 December 2006

17. Trade and other payables

	As at 31 December 2006 Group £'000s	As at 31 December 2006 Company £'000s	As at 31 December 2005 Group £'000s	As at 31 December 2005 Company £'000s
Trade creditors and accruals	94	20	117	34
Other taxes and social security costs	40	22	3	25
	<u>134</u>	<u>42</u>	<u>120</u>	<u>59</u>

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

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

18. Other loans

	As at 31 December 2006 Group £'000	As at 31 December 2005 Group £'000
Other loans	<u>329</u>	<u>332</u>
Analysis of loans		
Wholly repayable within five years	332	353
Included in current liabilities	<u>(3)</u>	<u>(9)</u>
	<u>329</u>	<u>344</u>
Loan maturity analysis		
In more than one year but not more than two years	–	21
In more than two years but not more than five years	<u>329</u>	<u>323</u>

The other loans of £329,000 (2005 – £344,000) arise from the reclassification of shareholder 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.

ERUMA PLC

Notes to the consolidated financial statements For the period ended 31 December 2006

19. Financial Commitments

	As at 31 December 2006 Group £'000	As at 31 December 2005 Group £'000
Minimum lease payments under operating lease recognised as an expense in the year	14	18
At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	9	3
2-5 years	5	–

20. Directors' emoluments

	Year to 31 December 2006 Group £'000	Period to 31 December 2005 Group £'000
Emoluments for qualifying services	275	149
Directors' fees	24	15
	<u>299</u>	<u>164</u>

21. Employees

No. of employees	2006 Number	2005 Number
The average monthly number of employees (including directors) during the period was:		
Factory staff	6	4
Administration Staff	8	1
Surveyor Staff	1	1
	<u>15</u>	<u>6</u>
	Year to 31 December 2006 Group £'000	Period to 31 December 2005 Group £'000
Employment costs		
Wages and Salaries	342	227
Social security costs	34	7
	<u>376</u>	<u>234</u>

ERUMA PLC

Notes to the consolidated financial statements For the period ended 31 December 2006

22. 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. There are no other related party transactions.

23. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 21 June 2007

24. Control

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 20 August 2007 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 5 will be proposed as Ordinary Resolutions and Resolution 6 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 31st December 2006.
2. To re-appoint Nigel Jonathan Young, a Director, who retires by rotation in accordance with Article 106 of the Articles of Association.
3. To re-appoint Jeffrey Henry LLP as auditors.
4. To authorise the Directors to fix the remuneration of the auditors.

Special Business:

5. **As an Ordinary Resolution:**

THAT 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 £630,138 (equal to 31.5 of the authorised but unissued 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 2008 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.

ERUMA PLC
NOTICE OF ANNUAL GENERAL MEETING

6. As a Special Resolution

THAT (subject to the passing of resolution number 5 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 5 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 23.6% 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 £423,346 (representing approximately 50% 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 2008 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

Nigel Young
Company Secretary

21 June 2007

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 17 August 2007 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.

