

**Company No: 05388153**

**ERUMA PLC**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

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

# ERUMA PLC

## COMPANY INFORMATION

<b>Registered Office</b>	Unit 4 Shepherdess Walk Buildings Underwood Street London N1 7LG
<b>Directors</b>	Phillip Barnett Alan Davis Wayne Money Brian Wilkins David Alexander Kevin Coffey
<b>Company Secretary</b>	Wayne Money
<b>Broker and Nominated Advisor</b>	FinnCap (JMFin Capital Markets Limited) 4 Coleman Street London EC2R 5TA
<b>Solicitors to the Company</b>	Reynolds Porter Chamberlain Tower Bridge House St. Katharine's Way London E1W 1AA
<b>Auditors</b>	Jeffreys Henry LLP Finsgate 5 – 7 Cranwood Street London EC1V 9EE
<b>Principal Bankers</b>	Allied Irish Bank Plc 9/10 Angel Court London EC2R 7AB
<b>Registrars</b>	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Website</b>	<a href="http://www.erumapl.com">www.erumapl.com</a>

# ERUMA PLC

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# ERUMA PLC

## Report and Accounts 2008

### Chairman's Report

#### Introduction

The year ended 31 December 2008 saw real progress in terms of product development, certification and raising market awareness of the value and relevance of our product portfolio. As a specialist provider of counter terrorism, intruder prevention and intelligent emergency lighting and energy saving systems Eruma's products have the ability to save lives, reduce risk, prevent disruption and loss, and dramatically reduce energy consumption and consequently the ongoing operating costs of businesses. We believe this represents a compelling proposition to any organisation seeking innovative ways to improve their businesses performance and protect their assets.

After a promising start to the year with our order book and sales pipeline building consistently we entered the second half with strong expectations for continued growth. Unfortunately we weren't immune to the economic crisis that has gripped the world and this led to a softening of sales opportunities, with projects delayed or deferred pending clarity about the economic outlook.

The economic downturn adversely affected both of our product lines and critically the first major project for the Illuminex intelligent emergency lighting was delayed into 2009, along with a number of prospective opportunities in the construction sector around major new building projects and refurbishments.

Concurrent with this slowdown we won our first major counter terrorism order for our Secur™ Ultra solution with a major metropolitan transport infrastructure provider. This significant win placed two challenges on the business, namely a large scale manufacturing assignment which was completed on time, but unfortunately the client had to delay their original delivery schedule which meant that we could not realise any appreciable revenue from the transaction during this fiscal year.

We continued winning new business broadly in line with 2007, but the mix of business was weighted towards larger scale projects with longer lead times and this put a greater strain on our working capital than was envisaged and had an unfavourable impact on turnover because fewer orders were completed within the year.

There was also a shift in emphasis towards direct sales to end user client organisations as the benefits of our product set were more readily recognised as the return on investment calculation is more compelling to the client. This has seen an improvement in our products being specified in major projects by clients stating a preference.

#### Security Blinds

Our subsidiary Security Blinds Ltd. is a manufacturer of physical systems providing protection from multiple threats ranging from burglary, ram raids, to blasts from terrorist attacks. Throughout the reporting period Eruma has continued to seek improvements in our core Secur™ product range and has completed the development of a unique ram raid prevention solution. This product makes it very difficult for intruders to break into organisations that have roller shutters installed. The new product has been enthusiastically received by organisations with distribution centres and warehousing facilities, who currently experience major loss of stock due to "ram-raid" style tactics being used to gain entry to premises, with many suffering multiple raids on a regular basis. We successfully deployed this solution in a pilot client location with plans to roll out across similar facilities in 2009. We will shortly begin the launch of a full scale sales and marketing programme, offering this unique solution at an attractive price, emphasising its ease of installation and adaptability to any situation. It can be installed retrospectively in existing facilities or as part of the design of a new facility.

We have continued to build our sales pipeline within the UK but critically our focus is equally on opening up international markets, especially where the continued and growing threat of terrorism is a reality on a daily basis. We have recruited a number of agents and partners in specific regions around the world and engaged with UK Trade and Investment international development teams to accelerate our international development plan. In its fullest implementation we will license manufacturing and installation partners to service local demand.

# ERUMA PLC

## Report and Accounts 2008

### Chairman's Report (continued...)

We also welcomed General Sir Alistair Irwin to the company as Strategic Advisor to the Board. Sir Alistair's depth of knowledge and experience has proved invaluable to the business and we look forward to working closely together particularly in the international counter terrorism arena.

The board's confidence in the potential of the product set in its key target markets is reflected in a continued investment in in-house expertise and knowledge. The economics of recreating this capability early in 2009 to service the expected economic upturn, coupled with obligations to fulfil specific contracts made the decision to carry this expense a commercial practicality.

Post year-end we have won another major counter terrorism order with an emergency services provider in the UK and have a strong pipeline of new business within the UK and overseas for intruder prevention and counter terrorism solutions.

We expect to achieve operational profitability by the end of 2009 through streamlined operating costs and manufacturing processes and improved sales volumes.

### Illuminex

Our subsidiary Illuminex Ltd, which we acquired in July 2007, is a manufacturer of intelligent emergency lighting and energy consumption reduction solutions. Throughout the period we continued our investment in the Illuminex Xscape product portfolio of intelligent emergency lighting. Our emphasis has been on bringing our outsourced Chinese manufacturing capability on-line at the required quality standards and the development and certification of additional models in the product range to address specific market requirements.

Part of our portfolio expansion was the introduction of high frequency electronic ballast that replaces magnetic ballasts and starter motors in existing fluorescent tubes. This delivers immediate cost savings by increasing the life expectancy of fluorescent tubes and extending the working life of existing lighting solutions while dramatically reducing the energy consumption and enhancing the quality of light through reduced flicker. We also plan to integrate the electronic ballast into our remote control capability in order to monitor and adjust lumen levels, further reducing energy consumption either on a standalone basis or as part of an intelligent building solution.

We secured a number of pilot projects but regrettably major contract wins have been delayed, due to the economic environment. There have been challenges breaking into the supply chain through the traditional specifier community and construction firms with already established relationships. However, we are increasingly seeing businesses not just going for short term pricing benefits but looking for longer term sustainable cost saving, whilst also achieving reduction in their CO<sub>2</sub> footprint.

In the second half of 2008 we began direct sales to targeted end user organisations and facilities management and maintenance firms with large property estates and high energy bills. The tangible benefits of our portfolio in addressing critical Health and Safety legislative obligations whilst delivering significant reductions in energy consumption are readily recognised within these organisations. The delivered cost savings and reduction in Carbon footprint are compelling and enable such organisations to meet strategic objectives and improve operational efficiency.

Legislative targets and requirements place Eruma in a very competitive position as the Illuminex product range uses Light Emitting Diodes ('LED's') 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 not aware of any competition currently offering comparable products to the Illuminex systems.

# ERUMA PLC

## Report and Accounts 2008

### Chairman's Report (continued...)

The superiority of the product was demonstrated 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 batteries and microprocessor control, provide considerable benefits including up to 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.

Post year-end we have successfully won our first major contract with a public sector organisation and a second one with a major food distribution network. We now have a strong pipeline of end user client opportunities and we expect Illuminex to move quickly to an operationally profitable business.

### Financial Results

I am disappointed to report, in spite of the good progress in many aspects of the business, that we have not achieved the revenue growth planned for and actually saw a 31% reduction in revenue recognised to £658,000 (2007: £955,000) during the period. Our order book at £1.1million was flat on 2007 which, given the dramatic shift in the world economy, we consider to be a testament to the strength of our product portfolio and our continued resolve.

Our continued investment in the retention of expertise and knowledge within the business in order to be able to service major contracts and capitalise on the growing pipeline and business expected in 2009 has resulted in us making a loss before Tax of £1.48m (2007: £0.84m) which is a 76% increase in our loss from last year.

Whilst the decisions made have increased the loss it has not undermined the fabric of the business but rather protected it so that we can capitalise on the opportunities in 2009 and beyond.

### Fundraising

During the period the Company appointed FinnCap as its Nominated Advisor and Broker in order to secured an integrated service and assist us with securing recognition of Eruma plc as a business worthy of investment. During the period we raised £542,500 pounds in April through the issue of 8.35 million shares at 6.5 pence each, £603,260 pounds in June through the issue 10.5 million shares at 5.75 pence each and £40,000 in July through the issue of 0.6 million shares at 7p per share. These funds have been focused on continued product development and international expansion to address global markets.

### The Board

During the period we undertook a search for a Finance Director to replace Nigel Young who had resigned at the end of 2007 and left in February 2008. This search was protracted and ultimately resulted in the appointment of Barbara Spurrier in October 2008. The lack of availability of good quality management information and supplier management throughout this period placed extra challenges on the board. The board accepted Barbara Spurrier's resignation as Finance Director in February 2009. Post period in order to recover our financial management, we appointed an interim group accountant to consolidate the book keeping and accounting functions for the group and have engaged in addressing outstanding issues in order to deliver relevant management information to the business and establishing tighter controls.

# **ERUMA PLC**

## **Report and Accounts 2008**

### **Chairman's Report (continued...)**

#### **Outlook**

2008 saw significant investments for Eruma across its portfolio. In 2009 our focus is on achieving operational profitability through increased sales volumes and effective cost management in order to realise a return on the investments we have made. We are continuing to develop our channels to market internationally especially in regions where terrorism is a real threat and assets need protecting. Of major importance is the work underway to realise our investment in North America now that we have secured key certifications required to address the US federal, state and defence sectors.

We have invested in and will continue to develop our management systems to ensure immediate visibility of current trading position, our sales pipeline and client information. We now have a wealth of important sales metrics that allow us to model our business plan more effectively.

We are also taking advantage of trade finance and invoice finance facilities in order to manage the pressures of delivering large scale contracts on working capital. We will continue to raise working capital as required for strategic developments through a combination of our convertible loan note instrument and equity finance. Further enhancements to our portfolio will be evaluated on the basis of in-house development, sourcing from a partner or through collaboration to deliver a unique solution.

A major part of our business acceleration plan is the consolidation of our field sales force under a Group Sales and Marketing function and Director with the remit to maximise our opportunities across the whole portfolio with each customer. Evidence built up during 2008 shows that the decision makers and influencers in making purchase decisions for each product in the portfolio are in many cases the same people and functions. This will strengthen the visibility and coverage we can achieve and improve brand recognition for Eruma as a leading proponent of innovative British solutions to global issues.

We believe our investment will reap rewards for our shareholders and we shall emerge from a challenging period and environment with strong potential.

**David E Alexander**

**Chairman**

**30 June 2009**

# **ERUMA PLC**

## **Report and Accounts 2008**

### **Directors' Report**

The directors present their annual report and the audited financial statements for the year to 31 December 2008.

### **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 Report on page 2.

Group loss before tax for the financial period, prepared under accounting policies outlined on page 21 to 29, was £1,446,000 (2007 - £837,000).

### **Key performance indicators**

Revenue for 2008 was £658,000, compared to £955,000 for the previous year. Gross profit was £217,000 (33%) compared to £343,000 (36%) in 2007. The reasons for the reduction are discussed in detail in the Chairman's Report on page 2.

### **Key risks and uncertainties**

The directors are optimistic of continued revenue growth in 2009. In addition it is anticipated that there will be international growth due to our channel development in key markets.

Continuing improvement in the gross margin will be dependent on:

- Increasing sales volumes

- Controlling discounts

- Cost of raw materials

- No unforeseen negative events that could significantly impact the 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:

David Alexander

Phillip Barnett

Kevin Coffey

Alan Davis

Wayne Money

Barbara Spurrier (appointed 7 November 2008, resigned 10 February 2009)

Brian Wilkins

Nigel Young (resigned 20 December 2007)

# ERUMA PLC

## Report and Accounts 2008

### Directors' Report (continued)

Details of directors' beneficial interest in shares are as follows

	Ordinary shares of 1p	
	31 December 2008	31 December 2007
Philip Barnett	100,000	100,000
Kevin Coffey	4,150,000	4,000,000
Alan Davis	357,640	66,649
Wayne Money	13,647,995	13,447,995
Brian Wilkins	15,060,350	15,060,350

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

As at 31 December 2008 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
David Alexander	6p	400,000	Warrants	20 July 2007
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

# **ERUMA PLC**

## **Report and Accounts 2008**

### **Directors' Report (continued)**

#### **Political and charitable contribution**

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

#### **Policy and practice on payment of creditors**

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payments when agreeing the terms of the transaction and to abide by those terms as far as financial circumstances permit. The Group and the Company do not follow any code or statement policy. Creditor days at the end of the end of the year were 138 (2007 – 140) 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 are 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 records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 and as regards the group financial statements, Article 4 of the IAS regulations. 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 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.

# ERUMA PLC

## Report and Accounts 2008

### Directors' Report (continued)

#### Substantial interests

As at 16 June 2009, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital:

	<b>Holdings %</b>
R Brooks	10.12%
W Money	10.45%
J M Finn Nominees Ltd	12.22%
Nortrust Nominees Ltd	6.13%
Pershing Keen Nominees Ltd	3.98%
B Wilkins	8.61%
Dr C Wilkins	3.09%

#### Indemnity of Officers

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

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

#### On behalf of the board

**Wayne Money**  
Director

30 June 2009

# **ERUMA PLC**

## **Report and Accounts 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 2008, 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 and as regards the group financial statements, Article 4 of the IAS regulations. 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.

# ERUMA PLC

## Report and Accounts 2008

### 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 2008 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 2008:
- 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.

### Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not qualified, we draw your attention to the consolidated balance sheet on page 13 of the financial statements which indicates that the Group's current liabilities exceeded its current assets by £355,000 at 31 December 2008. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty, which may cast doubt about the company's ability to continue as a going concern.

### Jeffreys Henry LLP

*Chartered Accountants*

*Registered Auditors*

**30 June 2009**

Finsgate

5 – 7 Cranwood Street

London, EC1V 9EE

# ERUMA PLC

## Consolidated income statement for the year ended 31 December 2008

	Notes	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
<b>Turnover</b>	<b>3</b>	<b>658</b>	<b>955</b>
Cost of sales		(441)	(612)
<b>Gross profit</b>		<b>217</b>	<b>343</b>
Distribution expenses		(891)	(624)
Administrative expenses		(806)	(561)
<b>Operating loss</b>	<b>7</b>	<b>(1,480)</b>	<b>(842)</b>
Investment income	<b>4</b>	11	6
Finance costs	<b>5</b>	(6)	(1)
<b>Loss before tax</b>		<b>(1,475)</b>	<b>(837)</b>
Income tax	<b>6</b>	29	-
<b>Loss for the year from continuing operations attributable to shareholders</b>		<b>(1,446)</b>	<b>(837)</b>
<b>Loss per share</b>	<b>9</b>		
From continuing operations			
Basic and Diluted		(1.12p)	(0.9p)

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

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

# ERUMA PLC

## Consolidated balance sheet as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	77	45
Goodwill	11	1,472	1,472
Other intangible assets	12	595	261
		<b>2,144</b>	<b>1,778</b>
<b>Current assets</b>			
Inventories	14	211	75
Trade and other receivables	15	197	332
Cash and cash equivalents	16	49	407
		<b>457</b>	<b>814</b>
<b>TOTAL ASSETS</b>		<b>2,601</b>	<b>2,592</b>
<b>EQUITY</b>			
<b>Capital and Reserves</b>			
Share Capital	19	1,287	1,094
Share Premium	20	3,707	2,799
Retained earnings	21	(3,534)	(2,088)
<b>TOTAL EQUITY</b>		<b>1,460</b>	<b>1,805</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Other non-bank loans	18	329	329
		<b>329</b>	<b>329</b>
<b>Current liabilities</b>			
Trade and other payables	17	812	422
Bank overdraft	18	-	36
		<b>812</b>	<b>458</b>
<b>TOTAL LIABILITIES</b>		<b>1,141</b>	<b>787</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,601</b>	<b>2,592</b>

These financial statements were approved and authorised for issue by the board of directors on 30 June 2009 and were signed on its behalf by:

W Money  
Director

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

## ERUMA PLC

### Consolidated statements of changes in equity for the year ended 31 December 2008

	Share Capital £'000	Share Premium £'000	Retained Loss £'000	Total £'000
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 1 January 2008	1,094	2,799	(2,088)	1,805
Issue of share capital	193	908	-	1,101
Loss after tax for the year	-	-	(1,446)	(1,446)
At 31 December 2008	<u>1,287</u>	<u>3,707</u>	<u>(3,534)</u>	<u>1,460</u>

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

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

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

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

# ERUMA PLC

## Consolidated cash flow statement for the year ended 31 December 2008

	31 December 2008 £'000	31 December 2007 £'000
<b>Net cash utilised by operating activities</b>	<b>(1,050)</b>	<b>(1,009)</b>
<b>Investing activities</b>		
Interest received	11	6
Interest paid	(6)	(1)
Purchase of plant and equipment	(42)	(43)
Purchase of patents and trademarks	(51)	(1)
Capitalised product development cost	(285)	(223)
Acquisition of subsidiary	-	(125)
<b>Net cash from investing activities</b>	<b>(373)</b>	<b>(387)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issue of shares	1,102	1,338
<b>Net cash from financing activities</b>	<b>1,102</b>	<b>1,338</b>
<b>Net cash inflow/(outflow)</b>	<b>(321)</b>	<b>(58)</b>
Cash and cash equivalents at start of year	370	429
<b>Cash and cash equivalents at end of year</b>	<b>49</b>	<b>371</b>

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

## ERUMA PLC

### Notes to the consolidated cash flow statement for the year ended 31 December 2008

	31 December 2008 £'000	31 December 2007 £'000
<b>Operating activities</b>		
Loss for the year	(1,480)	(842)
Adjustments for:		
Income tax received	29	-
Depreciation of property, plant and equipment	10	8
Amortisation of other intangible assets	2	2
<b>Operating cash flow before movement in working capital</b>	<b>(1,439)</b>	<b>(832)</b>
(Increase)/decrease in inventories	(137)	(47)
(Increase)/decrease in receivables	138	(288)
Increase/(decrease) in payables	388	158
<b>Net cash outflow from operating activities</b>	<b>(1,050)</b>	<b>(1,009)</b>

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

# ERUMA PLC

## Company balance sheet as at 31 December 2008

	Notes	31 December 2008 £'000	31 December 2007 £'000
<b>Assets</b>			
<i>Non-current assets</i>			
Investments	13	1,122	1,122
Loan to subsidiaries	13	2,562	1,466
		3,684	2,588
<i>Current assets</i>			
Trade and other receivables	15	43	23
Cash and cash equivalents	16	-	360
		43	383
<b>Total Assets</b>		<b>3,727</b>	<b>2,971</b>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Share capital	19	1,287	1,094
Share premium	20	3,707	2,799
Retained loss	21	(1,537)	(1,092)
Total equity		3,457	2,801
<i>Current liabilities</i>			
Trade and other payables	17	270	170
Total liabilities		270	170
<b>Total Equity and Liabilities</b>		<b>3,727</b>	<b>2,971</b>

These financial statements were approved and authorised for issue by the board of directors on 30 June 2009 and were signed on its behalf by:

W Money  
Director

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

## ERUMA PLC

### Company statements of changes in equity for the year ended 31 December 2008

	Share Capital £'000	Share Premium £'000	Retained Loss £'000	Total £'000
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 1 January 2008	1,094	2,799	(1,092)	2,801
Issue of share capital	193	908	-	1,101
Loss after tax for the year	-	-	(445)	(445)
At 31 December 2008	<u>1,287</u>	<u>3,707</u>	<u>(1,537)</u>	<u>3,457</u>

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

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

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

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

## ERUMA PLC

### Company cash flow statement for the year ended 31 December 2008

	31 December 2008 £'000	31 December 2007 £'000
<b>Net cash utilised by operating activities</b>	<b>(376)</b>	<b>(368)</b>
<b>Investing activities</b>		
Interest received	10	6
Acquisition of subsidiary	-	(125)
<b>Net cash from investing activities</b>	<b>10</b>	<b>(119)</b>
<b>Cash flows from financing activities</b>		
Proceeds on issue of shares	1,102	1,338
Loans to subsidiary companies	(1,096)	(864)
<b>Net cash from financing activities</b>	<b>6</b>	<b>474</b>
<b>Net cash inflow/(outflow)</b>	<b>(360)</b>	<b>(13)</b>
Cash and cash equivalents at start of year	360	373
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>360</b>
<b>Cash and cash equivalents comprise:</b>		
Cash held at bank	-	10
Cash held in short-term bank deposit	-	350
<b>Cash and cash equivalents at the end of the year</b>	<b>-</b>	<b>360</b>

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

## ERUMA PLC

### Notes to the company cash flow statement for the year ended 31 December 2008

	31 December 2008 £'000	31 December 2007 £'000
<b>Operating activities</b>		
Loss for the year	(455)	(473)
(Increase)/decrease in receivables	(19)	101
Increase/(decrease) in payables	98	4
<b>Net cash outflow from operating activities</b>	<b>(376)</b>	<b>(368)</b>

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

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 1. Significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board (IASB), as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statement are disclosed within the accounting policies note.

#### Basis of accounting

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

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

#### a) Interpretations effective in 2008

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.

IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements, as the Company does not have any pension liabilities.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. These issues are not relevant to these financial statements.

#### b) Standards and amendments early adopted by the Company

The Company has not early adopted any standards or amendments.

#### c) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Company's operations:

- IFRIC 12, 'Service concession arrangements'; and,
- IFRIC 13, 'Customer loyalty programmes'.

## Notes to the consolidated financial statements for the year ended 31 December 2008

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

- d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

- e) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IFRS 8, 'Operating segments', (effective from 1 January 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employees benefits' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).

## Notes to the consolidated financial statements for the year ended 31 December 2008

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

- f) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations (continued)
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
  - IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
  - IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
  - IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).
  - IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009).
  - IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
  - The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 20, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture'.

### Critical accounting estimates and assumptions

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

#### a) Estimated impairment of goodwill

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

#### b) Share based payments

Note 19 sets out the Group's accounting policy on share based payments, specifically in relation to the share options and warrants that the Company has granted. The key assumptions underlying the fair value of such share based payments are discussed in note 19. The fair value amounts used by the Group have been derived by the use of standard recognised valuation techniques.

#### c) Estimates in Development Costs

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

#### d) Going Concern

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

#### e) Value of Investments and Intercompany loan

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

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

#### **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 the accounting policies used into line with those used by the Group.

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

#### **Business combinations**

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

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

#### **Goodwill**

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

#### **Impairment of tangible and intangible assets excluding goodwill**

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

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

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.

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

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

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

#### Revenue recognition

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

#### 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.

#### 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. Deferred tax is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arising from goodwill or from the initial recognition other than in a business combination or other assets and liabilities in a transaction affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

#### Plant and equipment

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

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

Plant and machinery            20% straight line

Fixtures and equipment        25% straight line

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

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

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

- 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. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing selling and distribution.

### Provisions

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

### Warranty claims

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

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

The 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.

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

#### Classification of financial liabilities and equity

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

#### Bank borrowing and loan notes

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

Long-term loans are held at amortised cost.

#### Trade payables

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

#### Segment reporting

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

#### Equity instruments

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

#### Financial risk management

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

#### Credit risk

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

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

The company's credit risk is primarily attributable to its trade. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows.

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

#### Market risk

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

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

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

#### Liquidity risk

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

#### Going concern

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

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

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

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

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 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 2008 £'000	Emergency Lighting 2008 £'000	Total 2008 £'000	Security Blinds 2007 £'000	Emergency Lighting 2007 £'000	Total 2007 £'000
Revenue	631	27	658	955	-	955
Operating loss before amortization of acquisition related intangibles and share based payment charges	(1,011)	(467)	(1,478)	(952)	(83)	(1,035)
Amortisation of acquisition related intangibles	(2)	-	(2)	(2)	-	(2)
Other operating income	-	-	-	-	195	195
Operating loss	(1,013)	(467)	(1,480)	(954)	112	(842)
Net finance income			5			5
Loss before taxation			<u>(1,475)</u>			<u>(837)</u>
Segment Assets						
Property, plant and equipment	12	65	77	4	41	45
Intangible assets	1,219	848	2,067	948	785	1,733
Current assets	315	142	457	769	45	814
	<u>1,546</u>	<u>1,055</u>	<u>2,601</u>	<u>1,721</u>	<u>871</u>	<u>2,592</u>

The geographical segment consists of United Kingdom only.

	United Kingdom 2008 £'000	Total 2008 £'000	United Kingdom 2007 £'000	Total 2007 £'000
Revenue	658	658	955	955
Total Assets	2,601	2,601	2,592	2,592
Capital Expenditure	<u>42</u>	<u>42</u>	<u>43</u>	<u>43</u>

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 3. Revenue

	31 December 2008 Group £'000	31 December 2007 Group £'000
An analysis of the Group's revenue for the year is as follows:-		
Continuing operations		
Sales of security blinds	631	955
Sales of emergency lighting systems	<u>27</u>	<u>-</u>
	<u>658</u>	<u>955</u>

### 4. Investment Income

	31 December 2008 Group £'000	31 December 2007 Group £'000
Interest on bank deposits	<u>11</u>	<u>6</u>

### 5. Finance cost

	31 December 2008 Group £'000	31 December 2007 Group £'000
Continuing operations		
Interest on bank overdraft and loans	<u>6</u>	<u>1</u>

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 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

	<b>31 December 2008 Group £'000</b>	<b>31 December 2007 Group £'000</b>
Loss before tax		
Continuing operations	(1,475)	(837)
Tax at domestic income tax rate of 30% (2007 –30%)	(443)	(251)
Depreciation	4	3
Losses carried forward	439	248
Tax expense	-	-

The Group has tax losses of £5,000,000 (2007: £3,650,000) to carry forward against future profits. Deferred Tax asset arising from these losses of £1,400,000 (2007: £1,022,000) has not been provided in the accounts as recovery cannot be reasonably foreseen

### 7. Operating loss for the year

	<b>31 December 2008 Group £'000</b>	<b>31 December 2007 Group £'000</b>
Operating loss for the year has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	10	8
Amortisation of intangibles	2	2
Operating lease rentals - Other	81	69
Kevin Coffey's loan waiver	-	(195)
Auditors remuneration - Annual audit	21	19
Advertising and marketing	224	227

### 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 £445,000 (2007 -£473,000).

### 9. Earnings per share

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

	<b>31 December 2008</b>	<b>31 December 2007</b>
Earnings (£'000)	(1,446)	(837)
Weighted average no. of ordinary shares – Basic & Diluted	121,478,517	93,415,994

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 10. Plant and equipment - Group

	<b>Plant and Machinery £'000</b>	<b>Fixtures and Fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2008	71	10	81
Additions	30	12	42
At 31 December 2008	<u>101</u>	<u>22</u>	<u>123</u>
<b>Accumulated Depreciation</b>			
At 1 January 2008	30	6	36
Charge for the year	8	2	10
At 31 December 2008	<u>38</u>	<u>8</u>	<u>46</u>
<b>Carrying amount</b>			
At 31 December 2008	<u>63</u>	<u>14</u>	<u>77</u>
At 31 December 2007	<u>41</u>	<u>4</u>	<u>45</u>

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

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 11. Goodwill

	<b>Total £'000</b>
<b>Cost</b>	
At 1 January 2007	872
Additions	600
	<hr/>
At 1 January 2008	1,472
	<hr/>
Additions	-
	<hr/>
At 31 December 2008	1,472
	<hr/> <hr/>
<b>Carrying amount</b>	
At 31 December 2008	1,472
	<hr/> <hr/>
At 31 December 2007	1,472
	<hr/> <hr/>

The above goodwill arose on the acquisition of Security Blinds Limited on 30 March 2005 and Illuminex Limited on 1 July 2007 which is not amortised but tested for impairment annually and with the recoverable amount being determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rate, 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.

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 12. Other intangible assets – Group

	<b>Product development cost £'000</b>	<b>Patents and trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2008	223	50	273
Additions	285	51	336
	<u>508</u>	<u>101</u>	<u>609</u>
At 31 December 2008	508	101	609
<b>Amortisation</b>			
At 1 January 2008	-	12	12
Change for the year	-	2	2
	<u>-</u>	<u>14</u>	<u>14</u>
At 31 December 2008	-	14	14
<b>Carrying amount</b>			
At 31 December 2008	<u>508</u>	<u>87</u>	<u>595</u>
At 31 December 2007	<u>223</u>	<u>38</u>	<u>261</u>
	<b>Product development cost £'000</b>	<b>Patents and trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2007	-	49	49
Additions	223	1	224
	<u>223</u>	<u>50</u>	<u>273</u>
At 31 December 2007	223	50	273
<b>Amortisation</b>			
At 1 January 2007	-	10	10
Change for the year	-	2	2
	<u>-</u>	<u>12</u>	<u>12</u>
At 31 December 2007	-	12	12
<b>Carrying amount</b>			
At 31 December 2007	<u>223</u>	<u>38</u>	<u>261</u>
At 31 December 2006	<u>-</u>	<u>39</u>	<u>39</u>

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

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

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 13. Subsidiaries

	Cost of investments £'000	Loan to subsidiaries £'000	Total £'000
<b>Cost</b>			
At 1 January 2007	522	-	522
Additions	600	1,466	2,066
	<u>1,122</u>	<u>1,466</u>	<u>2,588</u>
At 1 January 2008	1,122	1,466	2,588
Additions	-	1,096	-
	<u>1,122</u>	<u>2,562</u>	<u>3,684</u>
At 31 December 2008	<u>1,122</u>	<u>2,562</u>	<u>3,684</u>
<b>Carrying amount</b>			
At 31 December 2008	<u>1,122</u>	<u>2,562</u>	<u>3,684</u>
At 31 December 2007	<u>1,122</u>	<u>1,466</u>	<u>2,588</u>

Details of the company's subsidiaries at 31 December 2008 which have been consolidated are follows:

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

The directors believe that loans to the subsidiaries are recoverable based on the cash flow forecasts produced by the subsidiaries.

### 14. Inventories

	As at 31 December 2008 Group £'000	As at 31 December 2007 Group £'000
Raw materials	74	16
Work in progress	14	37
Finished goods	123	22
	<u>211</u>	<u>75</u>

The cost of inventories recognised as an expense and included in cost of sales amounts to £136,000 (2007: £47,000).

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 15. Trade and other receivables

	As at 31 December 2008 Group £'000	As at 31 December 2008 Company £'000	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000
Amounts receivable from the sale of goods	83	-	309	-
Prepayments	73	25	23	23
Other debtors	41	18	-	-
	<u>197</u>	<u>43</u>	<u>332</u>	<u>23</u>

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

### 16. Bank balances and cash

	As at 31 December 2008 Group £'000	As at 31 December 2008 Company £'000	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000
Current account	49	-	57	10
Deposit account	-	-	350	350
	<u>49</u>	<u>-</u>	<u>407</u>	<u>360</u>

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 3.50% (2007 – 4.25%). The effective interest rate on bank overdrafts is 10% (2007 – 10%)

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

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 17. Trade and other payables

	<b>As at 31 December 2008 Group £'000</b>	<b>As at 31 December 2008 Company £'000</b>	<b>As at 31 December 2007 Group £'000</b>	<b>As at 31 December 2007 Company £'000</b>
Trade payables and accruals	635	136	270	34
Other taxes and social security costs	52	9	27	11
Deferred consideration	125	125	125	125
	<u>812</u>	<u>270</u>	<u>422</u>	<u>170</u>

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

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

### 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:

	<b>As at 31 December 2008 Group £'000</b>	<b>As at 31 December 2008 Company £'000</b>	<b>As at 31 December 2007 Group £'000</b>	<b>As at 31 December 2007 Company £'000</b>
<b>Analysis of capital instruments treated as liabilities</b>				
<b>In one year or less or on demand</b>				
Bank overdraft	-	-	36	-
<b>In more than one year but not more than five years</b>				
Other non – bank loans	<u>329</u>	<u>-</u>	<u>329</u>	<u>-</u>

## ERUMA PLC

### Notes to the consolidated financial statements for the year ended 31 December 2008

#### 18. Loans (continued...)

	As at 31 December 2008 Group £'000	As at 31 December 2008 Company £'000	As at 31 December 2007 Group £'000	As at 31 December 2007 Company £'000
<b>Analysis of loans</b>				-
Wholly repayable within five years	329	-	365	-
Included in current liabilities	-	-	(36)	-
	<u>329</u>	<u>-</u>	<u>329</u>	<u>-</u>
 Loan maturity analysis				
In more than one year but not more than two years	-	-	-	-
In more than two year but not more than five years	329	-	329	-
	<u>329</u>	<u>-</u>	<u>329</u>	<u>-</u>

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 2008 £'000	As at 31 December 2007 £'000
Authorised :		
250,000,000/200,000,000 Ordinary Shares of 1p	2,500	2,000
	<u>2,500</u>	<u>2,000</u>
Allotted, called up and fully paid		
128,675,146/109,266,142 Ordinary Shares of 1p each	1,287	1,094
	<u>1,287</u>	<u>1,094</u>

On 20 August 2008 the authorised share capital was increased by 50,000,000 to 250,000,000.

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

On 16 June 2008 the company placed 10,491,482 ordinary shares of 1p each at 5.75p per share.

On 6 July 2008 the company placed 571,369 ordinary shares of 1p each at 7p per share.

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 19. Share capital (continued)

#### Shares – based payments

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

	2008 Number of options	2008 Weighted average exercise price Pence	2007 Number of options	2007 Weighted average exercise price Pence
Outstanding at beginning of period	5,000,001	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	5,000,001	5

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

Grant date	June 2007
Share price at grant date	6p
Exercise price	5p
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.

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

	2008 Number of warrants	2008 Weighted average exercise price Pence	2007 Number of warrants	2007 Weighted average exercise price Pence
Outstanding at beginning of the period	17,612,500	6.3	9,900,000	6.6
Warrants granted in period	9,314,424	6	7,712,500	6
Outstanding at end of the period	26,926,924	6	17,612,500	6.3

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.

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 20. Share Premium

	<b>As at 31 December 2008 £'000</b>	<b>As at 31 December 2007 £'000</b>
Balance at 1 January	2,799	1,358
Shares issued at premium	908	1,441
	<u>3,707</u>	<u>2,799</u>

### 21. Retained earnings

<b>Group</b>	<b>As at 31 December 2008 £'000</b>	<b>As at 31 December 2007 £'000</b>
Balance at 1 January	(2,088)	(1,251)
Loss for the year attributable to equity holders of the parent	(1,446)	(837)
	<u>(3,534)</u>	<u>(2,088)</u>
<b>Company</b>	<b>As at 31 December 2008 £'000</b>	<b>As at 31 December 2007 £'000</b>
Balance at 1 January	(1,092)	(619)
Loss for the year attributable to equity holders of the parent	(445)	(473)
	<u>(1,537)</u>	<u>(1,092)</u>

### 22. Financial Commitments

	<b>As at 31 December 2008 Group £'000</b>	<b>As at 31 December 2007 Group £'000</b>
Minimum lease payments under operating lease recognised as an expense in the year	81	56
At the balance sheet date, the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	59	39
Between two and five years	139	154
In over five years	<u>-</u>	<u>-</u>

# ERUMA PLC

## Notes to the consolidated financial statements for the year ended 31 December 2008

### 23. Directors' emoluments

	Year to 31 December 2008 Group £'000	Year to 31 December 2007 Group £'000
Emoluments for qualifying services	291	362
Directors' fees	-	-
	<u>291</u>	<u>362</u>
	<u><u>291</u></u>	<u><u>362</u></u>

During the year £90,164 (2007: £40,000) of directors' emoluments were capitalized in product development costs.

### 24. Employees

	2008 Number	2007 Number
No. of employees		
The average monthly number of employees (including directors) during the period was:		
Factory staff	14	13
Technical Staff	1	-
Administration Staff	10	10
Surveyor Staff	2	1
	<u>27</u>	<u>24</u>
	<u><u>27</u></u>	<u><u>24</u></u>

### Employment costs

	Year to 31 December 2008 Group £'000	Year to 31 December 2007 Group £'000
Wages and Salaries	708	698
Social security costs	74	70
	<u>782</u>	<u>768</u>
	<u><u>782</u></u>	<u><u>768</u></u>

## **ERUMA PLC**

### **Notes to the consolidated financial statements for the year ended 31 December 2008**

#### **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.

During the year, Kevin Coffey advanced a loan of £nil (2007: £125,000) to the Group in respect of an interest free loan. Kevin Coffey waived the loan amount of £nil (2007: £195,000) during the period. The balance outstanding to him at the balance sheet date was £nil (2007: £nil).

At the year end, the company owed Kevin Coffey £125,000 (2007: £125,000) in respect of the deferred consideration relating to the acquisition of Illuminex Limited in 2007.

Purchases were made during the year from Peripheral Support Services Ltd, a company in which Kevin Coffey is a director. The total value of purchases from this company during the year was £45,396 (2007: £123,280). Amounts relating to rent and service charges during the year was £27,982 (2007: £18,330) with the remainder of £17,414 (2007: £104,950) being product development work undertaken, and expenses and recharges for purchases made on behalf of Illuminex Limited. The amount owed by the Group at the balance sheet date was £24,415 (2007: £5,667).

During the year, the Group paid Wayne Money, a director of the company £44,939 (2007: £40,247) in respect of rental fee and services charges. The amount owed by the Group at the balance sheet date was £nil (2007: £nil).

During the year the Group purchased services from Cambridge Financial Partners LLP, a partnership in which Barbara Spurrier (a director of Eruma PLC during the year) is a partner. The cost of these accountancy services in the year was £16,290 (2007: £nil). At the balance sheet date the amount due to Cambridge Financial Partners LLP was £15,533 (2007: £nil).

Purchases were made during the year from SolutionsMTD Limited, a company in which David Alexander (a non-executive director of Eruma PLC) is a director. The total value of IT related purchases during 2008 was £16,354 (2007: £5,000). The amount owing at the balance sheet date was £4,880 (2007: £nil).

#### **26. Post balance sheet events**

Since the end of 2008 Eruma plc struck a convertible loan note instrument as a means of raising additional working capital up to a maximum of £1million. The convertible loan notes, repayable by the Company in June 2014 and which are unsecured, bear an annual coupon of 10 per cent. payable annually and are convertible at any time into ordinary shares of 1p in the Company at a price of 1.125p per share. Additionally, subscribers will be issued one warrant, with an exercise price of 2.5p, for every four shares converted from the loan notes. These warrants may be exercised into new ordinary shares of 1p at any time within five years of issue. £180,000 was raised using this instrument in March 2008 and a further £100,000 was raised in June 2008

#### **27. Control**

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

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

## **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 9:00am on 27 July 2009 at Underwood House, Shepherdess Walk Buildings, Underwood Street London N1 7LG to consider and, if thought fit, pass the following Resolutions of which 1 to 10 will be proposed as Ordinary Resolutions and Resolution 11 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<sup>st</sup> December 2008
2. To re-appoint Brian Malcolm Wilkins, a Director, who retires by rotation in accordance with Article 106 of the Articles of Association
3. To re-appoint Wayne Money, a Director, who retires by rotation in accordance with Article 106 of the Articles of Association
4. To re-appoint Philip Barnett, a Director, who retires by rotation in accordance with Article 106 of the Articles of Association
5. To confirm the appointment of David Edward Alexander as Non Executive Chairman of Eruma plc
6. To re-appoint Jeffreys Henry LLP as auditors.
7. To authorise the Directors to fix the remuneration of the auditors

### **Special Business:**

#### **8. As an ordinary resolution – Amendments to the Articles of association**

That the existing Articles of Association of the Company shall be updated with new articles as summarised below and shall be adopted by the Company, and that the Company Secretary be instructed to file them with the Registrar of Companies.

By way of a brief summary, the principal changes proposed to be made to the current articles include:

- (a) provisions to make it easier for the Company to communicate with shareholders by electronic means or to allow documents to be communicated electronically or by publishing documents on the Company's website communications;
- (b) the minimum notice period for calling a general meeting other than an annual general meeting called for the passing of a special resolution has been reduced from 21 days to 14 days in line with the provisions of the 2006 Act;
- (c) the provision giving the chairman a casting vote in the event of an equality of votes on a shareholder resolution has been removed as it is incompatible with the provisions of the 2006 Act;
- (d) the articles have been updated to reflect the fact that under the 2006 Act proxies have the right to attend, vote (on a poll or a show of hands) and speak at any general meeting as well as dealing with the appointment of multiple proxies and time limits for the appointment and termination of a proxy appointment;
- (e) the regulations relating to the disclosure of interests have been updated;
- (f) the obligation on directors reaching the age of 70 to retire from office at every annual general meeting has been removed;
- (g) to allow the directors to authorise conflicts or potential conflicts of interest, where appropriate;
- (i) the provisions relating to indemnifying directors and officers have been updated and clarified;

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**NOTICE OF ANNUAL GENERAL MEETING**

- (j) references to extraordinary general meetings have been removed from the articles in line with the 2006 Act; and
- (k) references to extraordinary resolutions have been replaced with references to special resolutions in line with the 2006 Act.

It is expected that further amendments will be required at next year's annual general meeting to reflect further changes under the 2006 Act which will be implemented over the course of the next year.

The new articles will, subject to the passing of resolution, come into effect at the conclusion of the AGM. A full copy of the amended articles of association are available from the Company's website at [www.erumapl.com](http://www.erumapl.com)

**9. As an Ordinary Resolution – Increase authorised share capital**

That the authorized share capital of the Company will be increased from £2,500,000 to £3,300,000 by the creation of 80,000,000 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.

**10. As an Ordinary Resolution: General authority to issue shares**

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 £1,713,249 (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 2010 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.

**11. As a Special Resolution: Dis-application of pre-emption rights**

THAT (subject to the passing of resolution number 10 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 £250,000 (representing approximately 19.43% 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 £643,376 (representing approximately 50% of the Company's issued share capital)

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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 2010 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

30 June 2009

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**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 holdings of the meeting.
- (3) If the appointer is a corporation, this Form of Proxy must be 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 holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the registered of members
- (6) Pursuant to Regulation 41 of the Uncertified Securities Regulation 2001 (SI2001/3755). 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, shareholders 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.