



SPRUE AEGIS

19 September 2012

Sprue Aegis plc

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Sprue Aegis plc ("Sprue" or the "Group"; PLUS-quoted: SPRP), Europe's leading home safety products supplier, which designs and sells innovative smoke and carbon monoxide alarms and other safety related products under the brands of FireAngel, First Alert, BRK and Dicon, is pleased to announce its unaudited Interim Results for the six month period ended 30 June 2012 ("HY 2012").

Financial highlights

- Turnover eased slightly to £16.7m (HY 2011: £17.1m) due to unfavourable translation impact on Euro income, lack of NF certification on key products in France (now resolved), and a slight reduction in UK F&RS sales. Sales into UK Trade, Retail and Utilities and Leisure all increased compared to the first half of 2011
- Underlying gross margin¹ reduced to 43.7% (HY 2011: 44.4%) due to product cost inflation of around 5% and the adverse translation impact on Euro income which were largely offset by favourable forward foreign exchange contracts compared to HY 2011
- Operating margin at 8.4% is comparable to last year (HY 2011: 8.2%)
- Net cash increased by 29% to £5.3m (HY 2011: £4.1m)
- Basic earnings per share increased 20% to 3.19p (HY 2011: 2.66p) primarily due to beneficial R&D tax credits and an overly cautious tax rate assumption in HY 2011

Notes:

1 Underlying gross margin is stated before the fixed £2.0m BRK distribution fee (HY 2011: £2.0m)

Operational highlights

- After ten years of supplying B&Q, became sole supplier of smoke & carbon monoxide products to B&Q with implementation across the UK during the second half of 2012
- Retained sole supplier status at Tesco with the introduction of a new First Alert range expected at selected stores during autumn/winter 2012
- Successfully tendered to exclusively supply 245 Intergamma stores in the Netherlands and Belgium securing a three year supply agreement which commenced in Q2 this year
- Completion of a number of new strategic product platforms that will provide the underlying technology for new products to be introduced over the next few years including Wi-safe II and a battery operated RF wireless interconnect module. Wi-safe II has the capability to wirelessly interconnect up to 64 battery operated smoke alarms, CO alarms or accessories in a single meshed network
- Commenced sales of new ST-630 Thermoptek smoke alarm in the UK using our unique "Wi-safe II" technology. This is a key deliverable not only for the UK but also the German market with the Q label certification expected shortly



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- BRK 700 series 'easy fit' mains powered alarm launched and targeted at the UK specifier and contractor market. The new range includes the addition of an RF base option
- Regained NF certification (French certification body's approval standard) in April 2012 and sales in France are now recovering
- Commenced production of class leading miniaturised carbon monoxide ("CO") sensor at Pace Sensors in Canada, which will be incorporated into Sprue's CO detectors later this year
- Jarden Corporation continues to be the largest supplier to the Group

Graham Whitworth, Chairman & Group CEO of Sprue, commented:

"In an extremely busy first half working to secure major new contracts we faced product cost inflation and exchange rate headwinds. However, the Group performed well with an operating profit of £1.4m and an improved net cash position of £5.3m, up £1.2m on half year 2011.

While the Board expects that the Group's revenue for the year ending 31 December 2012 will be in line with market expectations, the Group's profit before tax is expected to be slightly below market expectations due to the reasons set out elsewhere in this announcement.

We continue to invest in new technology to compete in segments of the market where we do not currently have a product offering and re-engineer products to allow us to enhance our margins. As a result, we remain optimistic that 2013 should see a return to incremental growth."

For further information, please contact:

Sprue Aegis plc

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Notes to Editors

About Sprue Aegis plc

Group overview

With its head office in Coventry, UK, Sprue is Europe's leading home safety products supplier and manufactures one of the world's smallest carbon monoxide sensors for use in carbon monoxide alarms. Sprue designs and sells smoke and carbon monoxide alarms and other safety related products throughout Europe under the FireAngel, First Alert, BRK and Dicon brands. Sprue enjoys a strong European market presence, a leading UK retail footprint, is the supplier of choice to the UK's Fire and Rescue Services and continues to develop its market share in the UK trade sector. Sprue has an established network of independent distributors within Continental Europe providing access into these key growth markets through local partners.

Patented technology

Sprue has patented technology in Europe, the US and other selected territories and its range of smoke and carbon monoxide alarms is independently certified to the latest European standards. For further product information, please visit: www.fireangel.co.uk or www.firstalert.eu or www.brkdicon.eu/en or www.sprue.com

Company ethos

We make products that save lives. It is a simple philosophy. Everything we do is focussed on providing market leading smoke and carbon monoxide alarms that achieve this objective.

We are serious about carbon monoxide and smoke detection and believe everyone should be properly protected with affordable and reliable home safety products from a company with brands you can trust.

We work with passion and seek to inspire those that work for us in the same way. We encourage our staff to "make a difference" to our business every day.



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OUR BRANDS

Sprue Safety Products: The Authority brand

A house of four powerful brands: FireAngel, First Alert, BRK and Dicon. We design, manufacture and supply safety products that save lives. We strive to inform and educate. We are committed to improving safety standards, through constant investment in technology and ever-increasing levels of service and quality.

FireAngel – The Innovation brand

Market leading products targeted at discerning retail and trade customers with high expectations. FireAngel is committed to innovation. We combine state of the art technology and design flair to deliver the most reliable, efficient and desirable home safety product solutions. FireAngel will extend its strong retail presence and continue to be the brand of choice for the UK's Fire Brigades.

First Alert – The Heritage brand

First Alert is our heritage brand in the retail sector. As inventors of the first domestic smoke alarm, First Alert has over 40 years' experience of manufacturing safety products. It is the trusted global brand in home safety, selling circa 14 million smoke alarms annually. First Alert is targeted at customers who put their trust in wisdom and experience, with products that stand the test of time. A brand with real impact. A brand that demands to be seen and heard.

BRK – The Trade brand

Targeted at skilled professionals who want to get the job done efficiently and cost effectively. BRK offers a comprehensive range of 230V mains powered smoke, heat and carbon monoxide alarms to the contractor, specifier and distributor. BRK is the benchmark for professional safety products. Our products are targeted at skilled workers and should be fitted by qualified electricians.

Dicon – The Tactical brand

Our products are targeted at customers focused on value and choice. Dicon will leverage its heritage to evolve into a volume brand of choice.



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MANAGEMENT COMMENTARY

Introduction

We continue to focus on building long term shareholder value by enhancing our competitive position through the expansion of our product range with new and improved products leveraging our smoke and in-house CO sensing product development capability to generate strong operating margins from market leading positions. Our mission is to become the market leader in each of the home safety products' markets we serve throughout Europe.

Our inclusion in "The Sunday Times Virgin Fast Track 100" for 2012 – the 100 fastest growing companies in the UK – for the fourth year running is continued strong evidence of our progress. For the first time, Sprue was also included in "The Sunday Times PwC Profit Track 100" this year.

Financial review

First half revenue was slightly down on last year at £16.7m (HY 2011: 17.1m) due to the adverse translation impact on Euro sales, the lack of NF approved product to sell during the peak sales season of quarter 1 in France and a decline in UK F&RS sales due to the UK Government's budget cuts. The combined impact was largely offset by sales growth in all other areas of the business.

A turbulent exchange rate environment has made currency management challenging. However, compared to H1 2011, Sprue benefited from favourable forward exchange contracts and higher gross margins on new product lines.

Fixed costs reduced slightly to £3.9m compared to H1 2011, which included a one-off bad debt charge of £0.1m. In addition, the extension of the expected useful economic lives of capitalised product development costs from five to seven years reduced the amortisation charge in HY 2012 by £0.1m. We continue to pay careful attention to our fixed costs, and as a result, operating profit was consistent with HY 2011.

Net cash at the half year improved by £1.2m to £5.3m as our continued focus on working capital ensures that cash generation remains a key priority. The balance sheet remains strong with significant cash resources available to the Group.

Market update

Trade. Sales in the first half increased by 18% following the introduction of our Radio Frequency base DS700 RF which provides wireless interlink between mains-powered smoke and heat alarms and is designed to transmit a radio frequency signal when an alarm senses smoke or fire. In addition, our new range of mains-powered smoke and heat alarms in the BRK 700 series incorporate *PUSH-FIT*, a unique push-fit system specifically designed to ensure a quick and easy method of fitting the alarm base unit to the mains feed at the initial installation stage combined with an easy connection of the alarm to the base unit itself.



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We have further new products to launch later this year and expect to significantly increase our market share over time from our current modest position given the limited product range we currently sell in this sector.

Retail. Sales increased by 5% compared to HY 2011. We continue to be the largest supplier into this important channel although the gross margin expectations of the major retailers on the sale of our products to their customers continues to hamper efforts to increase the absolute gross profit of this business in line with the growth in revenue. Major new contracts will be implemented in HY2 2012.

Utilities and Leisure. Sprue continues to win new smoke and CO alarm business in this important and growing sector increasing sales by 25% on HY 2011.

Continental Europe. The “VdS accredited” ST-620, our ground-breaking Thermoptek technology smoke alarm which we launched in Germany last year is now selling well replacing some First Alert products. We have also introduced the ST-630, an RF compatible product with product diagnostics capability. Recovery of NF accreditation will help second half sales in the French market, which remains relatively immature.

UK F&RS. We continue to enjoy a leading supplier position to the UK F&RS with an estimated market share of over 90%. The strong advocacy gained from supplying the demanding requirements of this sector serves us well. We are retendering the Firebuy agreement and expect to continue to supply the major proportion of the available business in this sector. The UK Government budget cuts have adversely impacted revenue in the first half and sales are likely to continue to gradually decline over time. However, we have new technology which can address the emerging needs of this sector which are expected to be margin enhancing.

PLUS-SX

Following the announcement in May regarding ICAP’s purchase of PLUS-SX, the Group continues to carefully monitor its various options with regard to its PLUS-SX listing.

Product development and product innovation

Development of AC powered alarms for the UK market. Historically, under the FireAngel brand, the Group primarily offered battery powered products. However after our exclusive appointment as BRK’s European distributor, we inherited an established range of AC power products sold under the BRK brand into the UK trade sector. Through major product development, we are seeking to broaden our range of AC powered products to increase our share of this important market.

Wi-safe II technology. We offer a range of mains and battery powered smoke and CO alarms to suit all installation projects. We also have a system for deaf or hard of hearing using “Wi-safe II”, our in-house developed two way wireless communication system which builds on our already successful Wi-safe I system.



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Wireless linked alarms. The WST-630 unites the ground breaking Thermoptek technology of the ST-620 smoke alarm with a wireless interlink to provide the earliest possible warning of a fire to the maximum number of people at the same time. With a small radio transmitter and receiver in each alarm, up to 64 alarms can be “meshed” as each unit “talks” to the other units and they operate as a network. These products are certified to EN14604: 2005.

Wi-safe II strobe and pad. Conforms with BS5446 part 3 for the deaf and hard of hearing, is a class leading product and the existing product sells well into the UK F&RS. The introduction of our low frequency sounder is highly effective at waking high risk / hearing impaired individuals and is activated with WST-630.

Outlook

While the Board expects that the Group’s revenue for the year ending 31 December 2012 will be in line with market expectations, the Group’s profit before tax is expected to be slightly below market expectations due to the reasons set out elsewhere in this announcement.

We continue to invest in new technology to compete in segments of the market where we do not currently have a product offering and re-engineer products to allow us to enhance our margins. As a result, we remain optimistic that 2013 should see a return to incremental growth.

GRA Whitworth
Chairman and Group CEO

Nick Rutter
Managing Director

John Gahan
Group Finance Director

- ENDS -

The Directors of the issuer accept responsibility for this statement



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UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2012

		Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
	<i>Note</i>		
Turnover	2	16,736	17,089
Cost of sales	3	(11,418)	(11,519)
Gross profit		5,318	5,570
Distribution costs		(683)	(705)
Administrative expenses		(3,235)	(3,461)
		(3,918)	(4,166)
Operating profit		1,400	1,404
Interest receivable and similar income		2	10
Interest payable and similar charges	4	(25)	(25)
Profit on ordinary activities before taxation		1,377	1,389
Taxation	5	(233)	(441)
Profit for the period		1,144	948
Earnings per share (pence)	6		
Basic		3.19	2.66
Diluted		2.93	2.43

Continuing operations

None of the Group's activities were acquired or discontinued during the above two financial periods.



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**STATEMENT OF GROUP TOTAL RECOGNISED GAINS & LOSSES
FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Profit for the period	1,144	948
Share based payment expense	20	36
Currency translation differences on foreign currency net investments	(13)	(11)
Total recognised gains for the period	1,151	973



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UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2012

	As at 30 June 2012 £000	As at 30 June 2011 £000
Fixed assets		
Intangible fixed assets	1,917	1,063
Tangible fixed assets	274	263
	2,191	1,326
Current assets		
Stocks	4,374	4,567
Debtors	6,453	5,922
Cash at bank and in hand	5,760	4,641
	16,587	15,130
Creditors: amounts falling due within one year	(7,833)	(8,031)
Net current assets	8,574	7,099
Total assets less current liabilities	10,945	8,425
Creditors: amounts falling due after more than one year	(500)	(500)
Provision for deferred tax	(465)	(235)
Net assets	9,980	7,690
Capital and reserves		
Called up share capital	7	720
Share premium account	8	3,486
Profit and loss account		5,774
Equity shareholders' funds		9,980



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CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<i>Note</i>	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Net cash inflow from operating activities	9	306	461
Return on investment and servicing of finance		(23)	(15)
Taxation		(435)	(320)
Capital expenditure and financing investments		(488)	(474)
Cash outflow before use of liquid resources and financing		(640)	(348)
Financing - receipt of equity		41	15
Decrease in cash during the period		(599)	(333)
Reconciliation of net cash flow to movement in net cash		Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Decrease in cash during the period		(599)	(333)
Change in net funds resulting from cash flows		(599)	(333)
Non-cash movement in loan and unamortised debt issue costs		(6)	(8)
Movement in net funds in the period		(605)	(341)
Net funds at beginning of period		5,865	4,482
Net funds at end of period	10	5,260	4,141

Notes to the financial statements

1. Basis of preparation

The financial information contained in this announcement has not been audited by Baker Tilly, the auditors of Sprue Aegis plc.

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and on a going concern basis.

The Group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 30 June 2012. The results of acquired subsidiaries are consolidated for the period from the date on which control passed.

2. Turnover

An analysis of turnover by geographical market is given below:

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
United Kingdom and Eire	10,707	10,569
Continental Europe	5,242	5,753
Others (including Pace Sensors)	787	767
Total	16,736	17,089

3. Cost of sales

Cost of sales includes £2.0m in respect of the distribution fee payable to BRK Brands Europe Ltd under the terms of a distribution agreement dated 7 April 2010 (2011: £2.0m).

4. Interest payable and similar charges

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Interest on loan notes	(25)	(25)



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5. Taxation

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Current tax:		
Corporation tax charge for the period	(130)	(385)
Total current tax charge and tax on profit on ordinary activities	(130)	(385)
Deferred tax:		
Origination and reversal of timing differences	(103)	(56)
Total deferred tax	(103)	(56)
Total tax on profit on ordinary activities	(233)	(441)

6. Earnings per share

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Profit attributable to shareholders being profit after taxation	1,144	948
Weighted average number of shares in issue for basic calculation ('000)	35,880	35,694
Deemed issue of potentially dilutive shares ('000)	3,179	3,270
Weighted average number of shares in issue for diluted calculation ('000)	39,059	38,964
Earnings per share (pence)		
- basic	3.19	2.66
- diluted	2.93	2.43



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7. Called up share capital

	As at 30 June 2012 £000	As at 30 June 2011 £000
Authorised		
100,000,000 (2011: 100,000,000) ordinary shares of 2p each	<u>2,000</u>	2,000
Allotted, called up and fully paid		
36,008,895(2011: 35,669,472) ordinary shares of 2p each	<u>720</u>	715

185,000 share options were exercised during the period at an average option price of 18p per share (2011: 81,000).

	Number '000	Nominal value £000
Ordinary shares of 2p each	<u>185</u>	<u>4</u>

8. Share premium account

	As at 30 June 2012 £000	As at 30 June 2011 £000
At beginning of the period	3,449	3,434
Premium on issue of shares	<u>37</u>	13
At end of the period	<u>3,486</u>	<u>3,447</u>



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9. Reconciliation of operating profit to net cash flow from operating activities

	Six months ended 30 June 2012 £000	Six months ended 30 June 2011 £000
Operating profit	1,400	1,404
Amortisation of development costs	70	148
Amortisation of goodwill	9	9
Depreciation charge	40	40
Exchange differences	(17)	(10)
Share-based payment expense	20	36
Movement in debtors	574	1,803
Movement in stock	549	507
Movement in creditors	(2,339)	(3,476)
Net cash inflow from operating activities	306	461

10. Analysis of net cash

	At beginning of period £000	Cash flows £000	Non-cash movements £000	At end of period £000
Cash at bank and in hand	6,359	(599)	-	5,760
Debt due after one year	(494)	-	(6)	(500)
	5,865	(599)	(6)	5,260

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