SPRUE AEGIS PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS

The Company's Registration No. is: 3991353

SPRUE AEGIS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

Financial highlights

• Turnover increased 12% to £37.2m (2011: £33.3m)

• Operating profit decreased 7% to £3.2m (2011: £3.5m): £4.5m before adverse impact of £/Euro exchange rates (£0.7m impact compared to 2011) and £0.6m of one-off charges in respect of warranty costs

• Gross margin (before £4.2m BRK distribution fee) reduced to 40.8% (2011: 45.4%)

• Operating margin reduced to 8.7% (2011: 10.4%)

• Basic EPS decreased 15.1% to 6.50p (2011: 7.66p)

• Recommended final dividend doubled to 4 pence per share (2011: 2 pence)

• Net cash increased to £6.2m (2011: £5.9m)

• £0.5m ten year loan note repaid and the Company is now debt free

• Net cash inflow from operating activities at 74% of operating profit (2011: 100%)

• Maintained investment in product development / capex at £1.0m (2011: £1.0m)

Operational highlights

• September 2012, appointed sole supplier to B&Q for smoke, CO and safety accessories

• November 2012, signed minimum three year agreement to supply CO alarms to British Gas

• December 2012, signed exclusive seven year collaboration agreement with Baxi Heating UK

• Retained sole supplier status to Tesco, with introduction of new First Alert range

• Introduced refreshed range at Wickes and retained sole supplier status

• Successful launch in quarter 4 2012 of WST-630, a 10-year life wireless smoke alarm which allows up to 50 alarms to be wirelessly interconnected

• Launched refreshed range of mains powered 700 series "PUSH-FIT" into UK Trade sector

• ST-620 achieved the joint highest score in a recent German consumer products' test

• Launched "VDS" and "Q label" approved products under the FireAngel brand in Germany

• French market still slower than anticipated but offers excellent long term growth potential

• Expanded customer services to include dedicated customer helpline

• April 2012, recovered NF certification on key product for France

• Pace Sensors in final phase of testing to miniaturise our existing CO sensor

• Inclusion in "The Sunday Times Virgin Fast Track 100" for the fifth successive year and in "The Sunday Times PwC Profit Track 100" for first year

Introduction

We are pleased to report another strong set of results for the Group with revenue up 12% to £37.2m and earnings before interest and tax of £3.2m, down 7% on last year. At constant Sterling / Euro exchange rates (to 2011), operating profit would have been £0.7m higher. Excluding the exchange rate impact and the £0.6m one-off charge for warranty costs, operating profit would have been £1.3m higher at £4.5m.

Major long term sole supplier contract wins with B&Q, British Gas and Baxi Heating UK – all signed in the second half of 2012 – are expected to underpin growth in revenue and profit in 2013 and beyond.

The Group continues to invest in new products to enhance its market position and become the number one supplier in each of the markets it serves. Our in-house technical teams in both the UK and Canada continue to develop and enhance our "technology bookshelf", increasing the use of modular designs enabling new products to come to market more cost effectively and in shorter periods of time.

The miniaturised version of our CO sensor, the Nano-905, is now in final testing with various certification test bodies in Europe and North America and is expected to be ready for inclusion in finished CO detectors by the end of this year. The new sensor offers enhanced price and performance over the current design.

With a strong order book and reflecting a high degree of confidence in the Group's ability to generate strong free cash flow and grow its earnings, the Board is pleased to recommend the final dividend is doubled to 4 pence per share (2011: 2 pence per share). If approved by shareholders at the forthcoming Annual General Meeting on 21 May 2013, the dividend will be paid on 5 July 2013 to those shareholders on the register as at close of business on 21 June 2013.

Financial overview

Turnover increased by 12% to £37.2m with sales growth across all business units except UK Fire & Rescue Services ("UK F&RS") where revenue contracted slightly by £0.8m (9%) following the widely reported cuts in UK F&RS budgets.

Gross margin before the BRK £4.2m distribution fee declined by 4.6%, to 40.8% principally due to:

- adverse effect of translating Euro income into Sterling, which reduced revenue and gross profit by approximately £0.7m (compared to 2011 exchange rate)
- £0.6m cost arising from one-off warranty costs on one product (which is now in decline), and legacy BRK product warranty issues
- product cost inflation on products sourced from Jarden, our principal supplier
- increased proportion of Retail sales, which provide significant volume business but at lower gross margins than the average
- implementation costs to support expansion of our new contract wins
- increased cost of our expanded customer services team to support UK F&RS customers and British Gas where a telephone helpline / support service is required

Distribution costs declined slightly following the decision to bring safe sales "in house" saving third party sales' commission in 2012. Other administrative expenses as a percentage of turnover reduced from 19.1% to 18.1% and operating margin reduced from 10.4% to 8.7%. Administrative expenses were up £0.3m year on year at £7.2m.

Operating profit declined by 7.0% from £3.5m to £3.2m and with lower enhanced tax credits on Sprue's product development expenditure in 2012, basic EPS declined 15.1% to 6.50 pence per share. The recommended final dividend is covered 1.5x by post-tax profit (2011: 3.8x).

The Group continues to carefully monitor its foreign exchange rate exposure and, where appropriate, to hedge a proportion of its exposure by selling Euros to acquire US Dollars. The movement between Sterling and the US Dollar has not significantly impacted gross profit year on year.

The Group invested £1.0m in product development / capex during the year (2011: £1.0m) of which, product development expenditure amounted to £0.9m. Depending on our estimate of product lives, product development costs are typically written off over seven years to ten years.

Net working capital increased by £1.5m following a 51% increase in Retail sales and a 9% reduction in UK F&RS sales during the year. Net cash inflow from operating activities was £2.4m (2011: £3.5m) and net cash at the year end increased slightly to £6.2m. We expect to return to improved levels of cash generation in 2013 having absorbed the working capital impact of expanding our Retail business last year.

Following the exercise of 2.5 million share options held by Scotia McLeod ITF Euro Credit Investments Ltd (“ECI”) in October 2012 at an option price of 15 pence per share, which raised £0.375m, the Group decided to repay the ECI loan note of £0.5m which was due for repayment in January 2013. The net cash impact of these two transactions amounted to a cash decrease of £0.125m. ECI's interest (together with its other affiliates' holdings of Sprue shares) is now 2.6 million shares, representing approximately 6.75% of Sprue’s issued share capital.

Net purchases from Jarden in 2012 amounted to £18.4m (2011: £16.6m) including the distribution fee of £4.16m (2011: £4.16m). At the year end, net Jarden creditors amounted to £6.2m (2011: £4.5m).

Operating overview

Product development. In November 2012, we launched the WST-630, a wireless smoke alarm which can be wirelessly networked or “meshed” with up to 50 other alarms. The WST-630 is based on our ground breaking Thermoptek™ technology, as used in our best selling ST-620 alarm, which utilises enhanced sensing technology to provide a quick reaction to both slow smouldering and fast flaming fires in a single alarm. By avoiding the need to hard-wire the products, its installation and fitting costs are significantly lower than “AC powered” alternatives. The WST-630 has been extremely well received in both the UK and Germany where the product’s diagnostic capability is a unique offering for social landlords. The WST-630 will also become the primary detection smoke alarm to trigger a new range of Wi-Safe 2 ancillary products due to be launched in 2013.

The ST-620 smoke alarm sold under the FireAngel brand has remained Britain’s highest selling domestic smoke alarm and is one of the best performing domestic smoke alarms on the market. The alarm increases its sensitivity following an increase in the ambient room temperature providing optimum protection across all types of fires. Founded in 1964, Stiftung Warentest, a German consumer organisation involved in the investigation and comparison of goods and services (similar to Which? in the UK) conducted tests on a range of smoke alarms sold into the German market including Sprue’s ST-620. In the test, the ST-620 achieved the joint highest score and this is a strong endorsement of our in-house product development capabilities and quality of manufacture.

We plan to launch further new and innovative products in 2013 and beyond. New products are targeted to address specific customer needs in each of the markets we serve. We aim to be the market leader in each market we serve by providing a range of innovative products from a house of brands that consumers can trust.

UK Retail. Sprue’s appointment as sole supplier to B&Q in the second half of the year was an important win for the Group and the culmination of a significant amount of work across the business. The contract positions Sprue as a long term sole supplier and offers the possibility to extend the trading arrangements should both sides agree.

Gross retail sales increased by 51% compared to 2011, driven by increased sales to B&Q and Amazon; the full year sales benefit of our appointment to supply B&Q will come through in 2013 and beyond. In addition, our recent appointment as the sole supplier to both Wickes and Robert Dyas and the recently refreshed First Alert range at Tesco stores will also contribute to growth in revenue. Our competitive range of carbon monoxide products has been a key driver of our organic growth within retail.

UK Fire & Rescue Services (“UK F&RS”). The Group’s revenue from this sector declined by £0.8m in line with internal budget expectations and budget cuts imposed on the UK F&RS by the Government.

The last Firebuy contract expired in November 2012 and the retendering process has commenced with replacement tenders underway, all of which the Group is competing for. As with the previous Firebuy contract, each Fire & Rescue Service remains free to source products from any approved supplier that meets the tender requirements.

In the meantime, Sprue continues to supply products to each of the 56 Fire & Rescue Services representing the UK F&RS, including our Wi-Safe products for the hearing impaired. The introduction of the Wi-Safe 2 platform of products and accessories provides the group with a highly differentiated product offering in this market. Given its existing strong market position, the Group is well placed to continue to supply products under all of these tenders.

UK Trade. Trade sales continue to grow with sales up almost 10% year on year. UK Trade is an important growth sector for the Group and we continue to bring greater focus and resources to this important sector. The DS700RF and the new 700 series “PUSH FIT” which complements our BRK 600 series range with greater ease of fitting have helped drive sales. We have further groundbreaking Trade products under development which we expect to be available for sale in the short to medium term which are expected to significantly drive revenue in this sector.

Continental Europe. Sales into Continental Europe increased by 7% during the year (15% on a constant currency basis). Continental Europe still offers significant growth potential and we continue to certify further products and have introduced an "AngelEye" brand for France to take advantage of these opportunities.

• **Benelux.** The Group retained its market leading position in Benelux with a high proportion of consumers continuing to choose the market-leading "First Alert" brand.

• **Germany.** Sales into Germany performed well, in particular following the award of "Q label", the highest product approval standard in Germany, to the ST-630 in October 2012. The Group expects to make further gains in this market with an improved and expanded product range including the WST-630.

• **France.** Over the last three years, sales into the French market have been disappointing principally due to continued low levels of awareness of the legislation requiring at least one smoke alarm to be installed in domestic homes by March 2015. It is expected that as awareness levels increase, sales will gradually improve. The Group's management remains of the view that the French market still represents a significant market opportunity of around 50 million smoke alarms in total.

Utilities and Leisure. In November 2012 the Group was appointed as the CO alarm supplier to British Gas Services Limited ("British Gas") for an initial period of three years, with the option of further extensions to the agreement should both sides agree. This is a sizeable contract under which Sprue will supply CO alarms to British Gas and Scottish Gas co-branded "Pace Sensors" with the customers' logo.

In December 2012, the Group also announced a seven year collaboration agreement with Baxi Heating UK, one of Europe's leading boiler manufacturers, to jointly develop new products. One such product is a CO sensor contained within a "snorkel" which extends into a void above a ceiling to detect CO where the boiler flue is fitted between floors rather than vented directly to an outside wall. New product sales in the UK are expected to commence in the second half of 2013 and other potential markets are currently being explored.

Pace Sensors. Our Pace Sensors business in Canada is finalising the miniaturisation of its existing CO sensor. The new sensor, the "Nano-905", is expected to be incorporated in finished products before the end of this year. After significant investment in product development, the Nano-905 provides improved price competitiveness over the current sensor and we continue to explore other potential OEM sales opportunities for our CO sensors. Later this year, we will introduce 10 year variants of our CO products using the current CO sensor.

Recommended final dividend

In line with its progressive dividend policy and taking account of the Group's future prospects and cash resources, the Board is pleased to recommend a final dividend of 4 pence per share (2011: 2 pence per share). The proposed cost to the Group amounts to £1.5 million and is covered 1.5x by post-tax profit. If approved by shareholders at the AGM on 21 May 2013, the record date will be 21 June 2013 and the dividend will be paid to shareholders on 5 July 2013.

Outlook

The management team remains focused on generating long term shareholder value by building leading positions in each market we serve. We will continue to invest in product innovation and technology to expand and improve our product range, improve margins and enhance our competitive position. Our business model remains highly scaleable.

Existing contracts and new safety legislation in Europe are expected to continue to positively impact sales.

Notwithstanding the potential impact of currency fluctuations, we expect product cost inflation to stabilise this year and we will seek to increase margins through the introduction of new products

2013 has seen the Company's strongest ever trading start to a year, and the Board is confident that as a result of the combination of the three significant exclusive contract wins secured in the second half of 2012 and the expected launch of several major new products in 2013, the Company is well placed to deliver profitable organic growth in 2013 and beyond.

As ever, our thanks go to our shareholders, customers and the dedicated team of people who work in the business and continue to help us drive the business forward.

Graham RA Whitworth

Chairman & Group CEO

Sprue Aegis plc 22 April 2013

SPRUE AEGIS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report with the consolidated financial statements of the group and company for the year ended 31 December 2012.

Principal activity

The group's principal activity is the design, sale and marketing of smoke and carbon monoxide detectors sold under the FireAngel, First Alert, BRK and Dicon brands. The group is also one of the world's leading authorities on smoke and CO sensing technology and has its own CO sensor manufacturing facility in Canada.

Results and dividends

The group profit after taxation for the year was £2.4m (2011: £2.7m). The directors recommend the payment of a final dividend of 4 pence per share (2011: 2.0 pence per share).

Review of business

The results for the year and financial position of the group and the company are as shown on pages 11 to 14 and a review of the business and expected future developments are set out in the Chairman's Statement on pages 1 to 4.

The key financial headlines of the group are as follows:

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Turnover	37.2	33.3	29.9	14.4	9.4
Operating profit	3.2	3.5	3.1	2.0	1.6
Net assets	11.6	9.5	7.1	4.7	3.1
Net cash	6.2	5.9	4.5	1.7	0.7

The group's customer base and product offering have expanded considerably since 2008 with turnover and operating profit significantly increasing. The group's financial position has also strengthened during this period. Other KPIs used by the directors to monitor the business include a review of sales activity, margins, overhead levels and working capital requirements.

Future developments

Following the group's appointment as sole supplier to B&Q and the award of the contract to supply all the carbon monoxide detectors of British Gas, and with further new products to come through in 2013, the group remains well placed to continue to expand its business. With continued investment in new products, the group has also strengthened its product pipe line which is expected to yield benefits in 2013 and beyond.

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices including exchange rate risk, credit risk, liquidity risk and environmental risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring these risks and taking appropriate action where necessary.

Price risk

The group is exposed to the risk of changes in commodity prices and movements in exchange rates between US$ and the Euro, the US$ and Sterling, the Canadian $ and Sterling and Sterling and the Euro. Changes in exchange rates and commodity prices are monitored regularly by the Board and forward foreign exchange contracts are used to try to mitigate the impact of short term fluctuations in exchange rates.

Credit risk

The group has policies that require appropriate credit checks on potential customers before sales are made and all customers have credit limits which are regularly reviewed to ensure credit risk is appropriately managed.

Liquidity risk

The group ensures it has sufficient available funds to operate the business with a reasonable level of potential cash headroom.

Interest rate risk

The group has interest bearing assets and repaid the £0.5m loan note ahead of the January 2013 repayment date leaving the business debt free at the end of the year.

Environmental risk

An important issue facing the group relates to mitigating the impact of its business on the environment. The group continues to find ways to reduce packaging and minimise waste and energy usage. The group continues to lead a number of initiatives to reduce its impact on the environment.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued ordinary share capital at the beginning of the year and at the end of the year were as follows:

	31 December 2012	31 December 2011
Executive		
N A Rutter	**3,184,250**	3,184,250
G R A Whitworth	**3,666,700**	3,666,700
J F Walsh	**667**	66,667
J R Gahan	**117,833**	117,833
P Brigham	-	-
Non- executive		
P J Lawrence	**815,214**	815,214
A Silverton	**20,000**	20,000
T Russo	-	-
W J B Payne	**189,167**	189,167

On 25 June 2012, J Walsh sold 28,000 shares at 52.0p and a further 38,000 shares at 52.0p.

G R A Whitworth exercised 150,000 of his share options awarded 15 May 2008 at an option price of 19.25p per share on 10 May 2012. On the same day 40,000 shares were transferred to his adult daughter and 110,000 shares were transferred to his wife.

At the year end, the following directors had an interest in the following share options:

G R A Whitworth	285,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
N A Rutter	435,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
J F Walsh	125,000 ordinary 2p shares, exercisable by 6th May 2016 at 18.00p per share
J F Walsh	375,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
W J B Payne	100,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
P Brigham	250,000 ordinary 2p shares, exercisable by 7th May 2015 at 18.00p per share
P Brigham	100,000 ordinary 2p shares, exercisable by 30th November 2016 at 25.50p per share
J R Gahan	300,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share
J F Walsh	200,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share
G R A Whitworth	75,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share
N A Rutter	75,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share

No directors received shares in respect of long term incentive schemes during the year.
Qualifying third party indemnity provision for the directors and officers of the company was in force during the year.

Corporate governance

The Board continues to give careful consideration to the principles of corporate governance as set out in the Combined Code. However, it is the opinion of the directors that not all the provisions of the Combined Code are relevant or desirable for a company of Sprue Aegis plc's size. The Board meets regularly and has the ultimate responsibility for the management of the company. The Board includes four non-executive directors, W J B Payne, P J Lawrence, T Russo and A Silverton. The directors believe that this is an appropriate balance of non-executive and executive directors at this stage of the group's development.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d. prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Sprue Aegis plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Payment of creditors

It is and will continue to be the group's policy to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement, and having agreed those terms, to abide by them. Trade creditor days as at 31 December 2012 were 92 days (2011: 94 days). The transaction with BRK Brands Europe Limited involved extended credit terms on the purchase of products and on the settlement of the distribution fee.

Research and development

The group continues to invest in research and development. The costs of development expenditure on specific projects have been capitalised in accordance with the accounting policy set out on page 16. General research costs undertaken in respect of the group's principal activities are charged to the profit and loss account as incurred.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office and will be proposed for re-appointment.

ON BEHALF OF THE BOARD

JOHN GAHAN
Director

Bridge House
London Bridge
London SE1 9QR

22 April 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRUE AEGIS PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 11 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 an 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CHARLES FRAY (Senior Statutory Auditor)
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point, Temple Row, Birmingham B2 5AF

22 April 2013

SPRUE AEGIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2012	Restated 2011	Restated 2011
		£'000	**£'000**	£'000	£'000
Turnover	**(2)**		**37,214**		33,275
Cost of sales	**(3)**		**(26,197)**		(22,330)
Gross profit			**11,017**		10,945
Distribution costs			**(613)**		(623)
Research and development		**(443)**		(508)	
Other administrative expenses		**(6,741)**		(6,353)	
Administrative expenses			**(7,184)**		(6,861)
Operating profit			**3,220**		3,461
Interest receivable and similar income			**-**		11
Interest payable and similar charges	**(4)**		**(43)**		(50)
Profit on ordinary activities before taxation	**(6)**		**3,177**		3,422
Tax on profit on ordinary activities	**(7)**		**(814)**		(683)
Profit for the year	**(20)**		**2,363**		2,739
Earnings per share (pence)					
Basic	**(8)**		**6.50**		7.66
Fully diluted	**(8)**		**6.22**		6.94

Continuing operations
None of the group's activities are treated as acquired or discontinued during the above two financial years.

SPRUE AEGIS PLC

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		£'000	£'000
Profit for the year		**2,363**	2,739
Currency translation differences on foreign currency net investments	**(21)**	**(10)**	16
Adjustment in respect of share-based payments	**(21)**	**19**	39
Total recognised gains for the year		**2,372**	2,794

SPRUE AEGIS PLC

CONSOLIDATED BALANCE SHEET | **AS AT 31 DECEMBER 2012**

	Note	2012	2011
		£'000	£'000
Fixed assets			
Intangible fixed assets	**(10)**	**2,266**	1,541
Tangible fixed assets	**(11)**	**280**	282
		2,546	1,823
Current assets			
Stocks	**(13)**	**5,403**	4,923
Debtors	**(14)**	**9,647**	7,027
Cash at bank and in hand		**6,226**	6,359
		21,276	18,309
Creditors: amounts falling due within one year	**(15)**	**(11,706)**	(9,763)
Net current assets		**9,570**	8,546
Total assets less current liabilities		**12,116**	10,369
Creditors: amounts falling due after more than one year	**(16)**	**-**	(494)
Provisions for liabilities	**(17)**	**(523)**	(362)
Net assets		**11,593**	9,513
Capital and reserves			
Called up share capital	**(18)**	**771**	716
Share premium account	**(19)**	**3,822**	3,449
Profit and loss account	**(20)**	**7,000**	5,348
Shareholders' funds	**(21)**	**11,593**	9,513

The financial statements on pages 11 to 31 were approved by the Board of directors and authorised for issue on 22 April 2013 and are signed on its behalf by:

G R A Whitworth

J R Gahan

The company's Registration No. is: 3991353.

SPRUE AEGIS PLC

COMPANY BALANCE SHEET — **AS AT 31 DECEMBER 2012**

	Note	2012	2011
		£'000	£'000
Fixed assets			
Fixed asset investments	**(12)**	**517**	881
		517	881
Current assets			
Debtors - due after one year	**(14)**	**7,325**	5,499
Cash at bank and in hand		**20**	40
		7,345	5,539
Creditors: amounts falling due within one year	**(15)**	**(86)**	(197)
Net current assets		**7,259**	5,342
Total assets less current liabilities		**7,776**	6,223
Creditors: amounts falling due after more than one year	**(16)**	**-**	(494)
Net assets		**7,776**	5,729
Capital and reserves			
Called up share capital	**(18)**	**771**	716
Share premium account	**(19)**	**3,822**	3,449
Profit and loss account	**(20)**	**3,183**	1,564
Shareholders' funds	**(21)**	**7,776**	5,729

The financial statements on pages 11 to 31 were approved by the Board of directors and authorised for issue on 22 April 2013 and are signed on its behalf by:

G R A Whitworth

J R Gahan

The company's Registration No. is: 3991353.

SPRUE AEGIS PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		£'000	£'000
Net cash inflow from operating activities	**(22a)**	**2,394**	3,456
Returns on investment and servicing of finance	**(22b)**	**(43)**	(39)
Taxation	**(22b)**	**(726)**	(663)
Capital expenditure and financial investment	**(22b)**	**(963)**	(1,031)
Equity dividends paid		**(720)**	(358)
Cash (outflow)/inflow before use of liquid resources and financing		**(58)**	1,365
Financing	**(22b)**	**(72)**	17
(Decrease)/increase in cash during the year		**(130)**	1,382
Reconciliation of net cash flow to movement in net funds			
(Decrease) / increase in cash during the year		**(130)**	1,382
Cash outflow from decrease in debt		**500**	-
Non cash movement in loan and unamortised issue costs		**(6)**	(2)
Change in net funds resulting from cash flows		**364**	1,380
Translation difference		**(3)**	3
Movement in net funds in the year		**361**	1,383
Net funds at beginning of year		**5,865**	4,482
Net funds at end of year	**(22c)**	**6,226**	5,865

The accompanying notes form an integral part of these financial statements.

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

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

b) Basis of consolidation

The group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 31 December 2012. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

c) Research and development

Research expenditure is written off in the year in which it is incurred.

Development expenditure is also written off, except where the directors are satisfied as to the innovative nature and technical, commercial and financial viability of clearly defined projects whose outcome can be assessed with reasonable certainty. In such cases, the identified expenditure is carried forward and amortised on a straight line basis over the period during which the group is expected to benefit, which the directors have estimated is between seven and ten years once sales of the product commence. Provision is made for any impairment.

d) Goodwill

Goodwill representing the excess of the consideration for an acquired undertaking, compared with the fair value of net assets acquired is capitalised and written off evenly over ten years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits. Goodwill is reviewed for impairment at the end of each financial year and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

e) Tangible fixed assets

Tangible fixed assets are stated at original historical cost less aggregate depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a reducing balance basis over its estimated useful life as follows:-

Fixtures and fittings	25% per annum
Motor vehicles	25% per annum
Office equipment	33% per annum
Software capitalised	33% per annum

f) Fixed assets investments

Fixed asset investments are shown at cost less provision for permanent impairment.

g) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow moving or defective items where appropriate.

1. Accounting policies (continued)

h) Share-based payments

FRS 20 "Share-based payments" applies to share options granted after 7 November 2002 which had not yet vested at 1 January 2006. For such grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

i) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

j) Foreign currency translation

Trading transactions denominated in foreign currencies are recorded in Sterling at the average previous month end rate which in normal circumstances broadly equates to the exchange rate in that month. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates is included as an exchange difference on conversion or translation in the profit and loss account.

Transactions and monetary assets and liabilities in overseas currencies which are covered by forward exchange contracts are converted at the contract rate at the date the contract matures.

The accounts of foreign subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investment in subsidiaries are taken directly to reserves.

k) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities. Instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

l) Revenue recognition

Turnover comprises the value of sales net of rebates and settlement discounts (excluding VAT) of goods supplied in the normal course of business. Revenue is recognised when control of the goods has passed to the buyer.

1. **Accounting policies (continued)**

m) Impairment

Fixed assets and contract costs capitalised within other debtors are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the profit and loss account.

n) Retirement contributions

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement contributions is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

o) Forward exchange contracts

The group uses foreign currency contracts to reduce the exposure associated with foreign currency fluctuations. Such contracts are not stated in the accounts at fair value as the group does not prepare its accounts in accordance with fair value accounting rules. Outstanding contracts have been disclosed as commitments and any gains or losses arising on exercise of these contracts are taken directly to net profit or loss in the period the contracts are exercised.

p) Operating leases

Rentals applicable to operating leases are recognised in the profit and loss account on a straight line basis over the lease term.

q) Segmental reporting

The group has one reporting segment comprising the principal activity of the group as set out in the Directors Report on page 5.

r) Contract costs

£0.35m of costs associated with securing the B&Q supply contract including the merchandising costs of updating B&Q's store formats to accommodate the new bay layouts were capitalised in 2012. These costs are being amortised over the expected three year life of the contract which commenced in September 2012. The unamortised balance is included within Other Debtors.

2. **Turnover**

The turnover, operating profit result and net assets are wholly derived from the group's principal activity. An analysis of turnover by geographical market for the two years ended 31 December 2012 is given below:

	2012	2011
	£'000	£'000
United Kingdom and Eire	**25,242**	21,452
Continental Europe and others	**11,972**	11,823
	37,214	33,275

3. **Cost of goods sold**

The cost of goods sold reported in the 2011 statutory accounts of £22,605,000 has been reduced by £275,000 in relation to the reclassification of certain variable costs which are now included in administration expenses in that year.

4. **Interest payable and similar charges**

	2012	2011
	£'000	£'000
Interest on loan notes	**43**	50
	43	50

5. Employees

Average number of people (including directors) employed by the group during the year:

	2012 Average Number	2011 Average Number
CO Sensor manufacturing & development	**21**	8
Technology	**15**	15
Administration	**19**	17
Sales and marketing	**17**	18
Executive and non-executive directors	**8**	8
Warehousing	**5**	7
	85	73

Costs in respect of these employees:	£'000	£'000
Wages and salaries	**2,642**	3,045
Social security costs	**366**	337
Pension scheme costs	**81**	61
Share-based payments (share option scheme)	**19**	39
	3,108	3,482

Included in the above are labour costs that have been capitalised as part of development costs as follows:

	£'000	£'000
Wages and salaries	**419**	434
Social security costs	**51**	54
	470	488

Directors' emoluments in respect of the directors of Sprue Aegis plc	£'000	£'000
Aggregate emoluments	**669**	923
The emoluments of the highest paid director	**160**	233

The highest paid director exercised 150,000 share options during the year at an option price of 19.25p. The element of the share-based payment charge relating to the highest paid director was £1,147 (2011: £4,857).

None of the other directors exercised any share options in the current or preceding year. The share-based payment charge relating to the remaining eight directors was £9,024. (2011: £27,296).

Under the defined contribution pension scheme the pension cost charge payable by the group in respect of the directors for the year amounted to £31,735 (2011: £7,222). Contribution payments under the defined contribution pension scheme to the highest paid director amounted to £14,946.

The number of directors accruing benefits under the defined contribution pension scheme is 3 (2011: 3).

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

		2012	2011
		£'000	£'000
Amortisation of goodwill		**19**	19
Depreciation of tangible fixed assets		**83**	100
Profit on disposal of fixed assets		**(11)**	(2)
Current year research and development expenditure		**294**	371
Amortisation of development expenditure		**149**	137
Auditors' remuneration - audit services	- company	**5**	15
	- subsidiaries	**40**	30
Foreign exchange gain		**(30)**	(1)
Operating lease rentals	- land and buildings	**249**	231
	- other	**74**	120

7. Taxation

	2012	2011
Current tax	**£'000**	£'000
UK Corporation tax	**545**	509
Adjustments in respect of prior years	**108**	(9)
Total current tax charge and tax on profit on ordinary activities	**653**	500
Deferred tax		
Origination and reversal of timing differences	**161**	183
Total deferred tax	**161**	183
Total tax on profit on ordinary activities	**814**	683

7. Taxation (continued)

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2012	2011
	£'000	£'000
Profit on ordinary activities before taxation	**3,177**	3,422
Standard rate of corporation tax in the UK	**25%**	26%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	**794**	890
Effects of:		
Expenses not deductible for tax purposes	**(5)**	3
Capital allowances in excess of depreciation	**(5)**	(33)
Net adjustment in respect of prior periods	**108**	(9)
Allowance for capitalised development expenditure	**(239)**	(351)
Current tax charge for year	**653**	500

8. Earnings per share

	2012	2011
	£'000	£'000
Profit attributable to shareholders being profit after taxation	**2,363**	2,739
	No.	No.
Weighted average number of shares in issue for basic calculation ('000)	**36,367**	35,779
Deemed issue of potentially dilutive shares ('000)	**1,706**	3,681
Weighted average number of shares in issue for diluted calculation ('000)	**38,073**	39,460
Earnings per share (pence)		
-basic	**6.50**	7.66
-fully diluted	**6.22**	6.94

9. Dividends

	2012	2011
	£'000	£'000
Ordinary:		
Final dividend paid: 2.0p per share in relation to 2011 (0.5p per share in relation to 2010)	**720**	358

The Board has approved a final dividend in respect of 2012 of 4.0 pence per share. The proposed cost to the company amounts to £1.5 million and it is covered 1.5x by post tax profit. If approved by shareholders at the forthcoming AGM on 21 May 2013, the ex-dividend date and associated record date would be 19 June and 21 June 2013 respectively and would be paid to shareholders by 5 July 2013, being within 14 business days of the record date.

10. Intangible fixed assets

	Group		
	Goodwill	**Development costs**	**Total**
	£'000	**£'000**	**£'000**
Cost			
1 January 2012	361	2,351	2,712
Additions	-	893	893
31 December 2012	**361**	**3,244**	**3,605**
Amortisation			
1 January 2012	211	960	1,171
Charge for the year	19	149	168
31 December 2012	**230**	**1,109**	**1,339**
Net book value			
31 December 2012	**131**	**2,135**	**2,266**
31 December 2011	150	1,391	1,541

11. Tangible fixed assets

Group	Fixtures and fittings £'000	Office equipment £'000	Software capitalised £'000	Motor vehicles £'000	Total £'000
Cost					
1 January 2012	46	239	213	5	503
Additions	1	76	24	-	101
Disposals	(5)	(6)	(30)	-	(41)
31 December 2012	**42**	**309**	**207**	**5**	**563**
Depreciation					
1 January 2012	23	113	84	1	221
Charge for year	4	45	33	1	83
Eliminated on disposals	(6)	(4)	(11)	-	(21)
31 December 2012	**21**	**154**	**106**	**2**	**283**
Net book value					
31 December 2012	**21**	**155**	**101**	**3**	**280**
31 December 2011	23	126	129	4	282

12. Fixed asset investments

	Participating interests		
	Shares	Loans	Total
Company	**£'000**	**£'000**	**£'000**
Cost			
1 January 2012	149	732	881
Repayment of intercompany loans	-	(364)	(364)
31 December 2012	**149**	**368**	**517**
Impairment			
1 January 2012 and 31 December 2012	-	-	-
Net book value			
31 December 2012	**149**	**368**	**517**
31 December 2011	149	732	881

Details of the group's principal subsidiaries are set out below:

Name	Place of registration	Description	Proportion of issued shares and voting rights held
Sprue Safety Products Limited	England and Wales	110 £1 ordinary shares	100%
AngelEye Corporation	Canada	100 Can$1 ordinary shares	100%
AngelEye Incorporated	U.S.A.	100 US$1 ordinary shares	100%
Pace Sensors Limited	Canada	100 Can$1 ordinary shares	100%

Subsidiary undertakings:

The results of all subsidiary undertakings are included in the consolidated accounts. Pace Sensors manufactures carbon monoxide sensors and the principal activity of Sprue Safety Products Limited is to develop and distribute smoke alarms, carbon monoxide detectors and other safety related products. The other entities are currently non-trading.

Sprue Aegis plc has a direct holding in Sprue Safety Products Limited, AngelEye Corporation and AngelEye Incorporated. It has an indirect holding in Pace Sensors Limited.

13. Stocks

	Group 2012	Company 2012	Group 2011	Company 2011
	£'000	**£'000**	£'000	£'000
Goods for resale	**5,403**	-	4,923	-

14. Debtors

	Group 2012	Company 2012	Group 2011	Company 2011
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	**9,160**	-	6,555	-
Other debtors	**315**	-	186	-
Prepayments and accrued income	**172**	-	286	-
	9,647	**-**	7,027	-
Amounts falling due after more than one year:				
Amounts owed by group undertaking	-	**7,325**	-	5,499
	-	**7,325**	-	5,499

Domestic trade debtors are pledged as security to the group's bankers as part of the group's banking facilities. The domestic trade debtor balance at the year end 2012 was £5.18m (2011: £3.58m).

15. Creditors: amounts falling due within one year

	Group 2012	Company 2012	Group 2011	Company 2011
	£'000	**£'000**	£'000	£'000
Trade creditors	**9,487**	-	7,008	-
Other taxation and social security	**315**	-	114	-
Accruals and deferred income	**1,802**	-	2,460	6
Corporation tax	**102**	**86**	181	191
	11,706	**86**	9,763	197

16. Creditors: amounts falling due after more than one year

	Group 2012	**Company 2012**	Group 2011	Company 2011
	£'000	**£'000**	£'000	£'000
Loan notes repayable between one and two years	-	-	494	494
	-	-	494	494

The loan was repaid in full, including accrued interest of £0.015m, on 31 October 2012.

17. Provisions for liabilities

	Group 2012	**Company 2012**	Group 2011	Company 2011
Deferred tax	**£'000**	**£'000**	£'000	£'000
Balance as at 1 January	**362**	-	179	179
Transfer to subsidiary	-	-	-	(179)
Transfer from profit and loss	**161**	-	183	-
Balance at 31 December	**523**	-	362	-

The provision for deferred tax comprises £523,000 (2011: £362,000) in respect of timing differences relating to capitalised development costs. For 2011, as a result of the transfer of development costs from the parent company, Sprue Aegis plc, to the trading entity of Sprue Safety Products Limited, the provision for liabilities was transferred at carrying value.

18. Called up share capital

	Company 2012	Company 2011
	£'000	£'000
Authorised		
100,000,000 (2011: 100,000,000) Ordinary shares of 2p each	**2,000**	2,000
Allotted, called up and fully paid		
38,584,173 (2011: 35,824,173) Ordinary shares of 2p each	**771**	716

The following shares were issued on the conversion of the share options during the year:

	Number	**Nominal value**	**Consideration**
	'000	**£'000**	**£'000**
Ordinary shares of 2p each	**2,760**	**55**	**428**

19. Share premium account

	Group and company 2012
	£'000
At beginning of the year	3,449
Premium on issue of shares	373
At end of year	3,822

20. Profit and loss account

	Group 2012	Company 2012
	£'000	£'000
At beginning of year	5,348	1,564
Profit for year	2,363	2,339
Currency translation differences on foreign currency net investments	(10)	-
Adjustment in respect of share-based payments	19	-
Dividend paid during the year	(720)	(720)
At end of year	7,000	3,183

The profit for the financial year dealt with in the company was £2.3m (2011: £1.3m). As allowed under Section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the company. The accumulated charges related to share-based payments amounted to £0.02m.

21. Reconciliation of movements on shareholders' funds

	Group 2012	Company 2012	Group 2011	Company 2011
	£'000	£'000	£'000	£'000
Profit for the financial year	2,363	2,339	2,739	1,340
Dividend paid during the year	(720)	(720)	(358)	(358)
	1,643	1,619	2,381	982
Other recognised gains and losses relating to the year	(10)	-	16	-
Adjustment in respect of share-based payments	19	-	39	-
New share capital subscribed	428	428	17	17
Net addition to shareholders' funds	2,080	2,047	2,453	999
Opening shareholders' funds	9,513	5,729	7,060	4,730
Closing shareholders' funds	11,593	7,776	9,513	5,729

22. Cash flow statement

	Group 2012	Group 2011
	£'000	£'000
a) Reconciliation of operating profit to operating cash flows		
Operating profit	**3,220**	3,461
Amortisation of capitalised development costs and goodwill	**168**	156
Depreciation charges	**83**	100
Profit on disposal of fixed assets	**(11)**	(2)
Exchange differences	**12**	17
Share-based payment expense	**19**	39
Movement in debtors	**(2,620)**	618
Movement in stock	**(480)**	151
Movement in creditors	**2,003**	(1,084)
Net cash inflow from operating activities	**2,394**	3,456

b) Analysis of cash flows for headings netted in the cash flow statement	**£'000**	£'000
Returns on investment and servicing of finance		
Interest received	-	11
Loan note related finance costs	**(43)**	(50)
	(43)	(39)
Taxation		
Tax paid	**(726)**	(663)
Capital expenditure and financial investment		
Investment in development costs	**(893)**	(864)
Purchase of tangible fixed assets	**(101)**	(167)
Proceeds from sale of fixed assets	**31**	-
	(963)	(1,031)
Financing		
Repayment of loan note	**(500)**	-
Issue of shares by parent undertaking (including share premium)	**428**	17
	(72)	17

c) Analysis of net cash	**At beginning of year**	**Cash flows**	**Non-cash movements**	**Exchange difference**	**At end of year**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	6,359	(130)	-	(3)	**6,226**
Debt due after one year	(494)	500	(6)	-	-
	5,865	370	(6)	(3)	**6,226**

Non-cash movements represent the write-off of unamortised unsecured loan stock issue costs.

23. Share options and share-based payments

Details of the share options outstanding at the end of the year are as follows:

Grant date	Outstanding at start of year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Expiry date	Exercise price
Directors' share options						
27/06/2008	250,000	-	-	250,000	26/06/2015	18.00p
16/05/2008	1,345,000	(150,000)	-	1,195,000	15/05/2015	19.25p
07/05/2009	125,000	-	-	125,000	06/05/2016	18.00p
07/05/2009	100,000	-	-	100,000	06/05/2016	25.50p
30/06/2010	650,000	-	-	650,000	28/06/2017	35.00p
Employee share options						
12/07/2006	80,000	(20,000)	-	60,000	11/07/2013	15.00p
15/11/2007	85,000	(35,000)	-	50,000	14/11/2014	17.00p
07/05/2008	95,000	(40,000)	-	55,000	06/05/2015	18.00p
07/05/2009	126,425	(15,000)	-	111,425	05/05/2016	18.00p
30/06/2010	150,000	-	-	150,000	29/06/2017	35.00p
Other share options						
01/01/2003	2,000,000	(2,000,000)	-	-	31/12/2013	15.00p
20/12/2005	500,000	(500,000)	-	-	21/01/2013	15.00p
16/05/2008	225,000	-	-	225,000	15/05/2015	19.25p
	5,731,425	(2,760,000)	-	2,971,425		

All options vest evenly over three years from the date of grant except the share options issued to John Gahan which vest over two years.

As at 31 December 2012, a total of 2,971,425 options were outstanding. The weighted average remaining contractual life of outstanding share options at the period end was 2 years and the weighted average exercise price for these share options is 20.60 pence per share.

During the year, 2,760,000 share options were exercised at a weighted average price of 17.50 pence per share.

Options have been valued using the following inputs to the Black-Scholes model:

Directors' share options	**2012**	2011
Average share price when options issued	**24.84p**	24.84p
Average expected volatility	**15.11%**	17.25%
Expected life	**7 years**	7 years
Risk-free rate	**2.13%**	2.13%
Expected dividends	**Zero**	Zero

Employee share options	**2012**	2011
Average share price when options issued	**19.69p**	19.69p
Average expected volatility	**19.81%**	18.53%
Expected life	**7 years**	7 years
Risk-free rate	**2.13%**	2.13%
Expected dividends	**Zero**	Zero

The group recognised the following expenses relating to equity settled share-based payment transactions:

	2012	2011
	£'000	£'000
Employee benefits (note 5)	**19**	39

24. Guarantees and other financial commitments

a) Lease commitments

At 31 December, the group had annual minimum rentals under operating leases as follows:-

	2012		2011	
	Property	**Others**	Property	Others
	£'000	**£'000**	£'000	£'000
Operating leases which expire:-				
-within one year	**92**	**8**	-	70
-between two and five years	**51**	**29**	128	34
-over five years	**73**	-	123	7
	216	**37**	251	111

b) Charges over group assets

On 21 January 2003, the company issued a loan note of £500,000 and a charge was given over certain intellectual property owned by the company and the group as security for the loan note. On the 31 October 2012 the loan note was repaid in full including any accrued interest to date.

Domestic trade debtors were pledged as security to the group's bankers as part of the group's banking facilities as at 31 December 2012 (2011: trade debtors were pledged as security to the group's bankers). The domestic trade debtor balance at the year end 2012 was £5.18m (2011: £3.58m).

c) Foreign exchange commitments

As at 31 December 2012, forward contracts to purchase US$ in 2012 amounted to $5.1m (2011: US$7.2m). Unrealised gains on forward contracts at the year end amounted to £0.02m (2011: unrealised gains £0.5m).

25. Related party transactions

Jarden Corporation

Jarden and its subsidiaries and associates (collectively referred to as “Jarden”) are related parties to the group following Jarden’s purchase of a 29.9% interest in the ordinary share capital of Sprue Aegis plc (collectively referred to as "Sprue") in 2010 and the appointment of a Jarden nominated non-executive director, Tom Russo to the Sprue Aegis plc board in September 2011.

Jarden acquired a 29.9% stake in Sprue shortly after the group’s appointment as Jarden’s exclusive European distributor with Sprue taking over the trade and stock from BRK Brands UK Limited’s (“BRK”), a wholly Jarden owned UK subsidiary in exchange for a fixed distribution fee of £4.16m pa and stock at book value.

The distribution fee equates to the underlying operating profit BRK generated in 2009, the year before Sprue’s appointment as Jarden’s exclusive distributor in Europe. BRK provided extended credit terms on Sprue's product purchases from BRK and on the payment of the distribution fee to mitigate the working capital impact on Sprue from taking over the BRK business.

The terms of Sprue’s appointment as BRK’s exclusive European distributor are set out in a Distribution Agreement dated 7 April 2010, details of which have previously been announced on the UK Stock Exchange. The group also announced the outline terms of a “stand-still agreement” which prohibits Jarden from extending its stake in Sprue beyond 29.9% before 31 March 2013 unless another third party bona-fide bid materialises for the group.

25. Related party transactions (continued)

Jarden represents the single largest supplier to the company supplying a significant proportion of the Group’s purchased products and charging the company for its ongoing engineering support for its BRK, First Alert and Dicon brands. In 2012, total net purchases from Jarden amounted to £18.4m of which, £4.16m relates to the distribution fee (2011: net purchases from Jarden were £16.6m including £4.16m being the distribution fee). Total net creditors relating to Jarden as at 31 December 2012 amounted to £6.2m (2011: £4.5m).

Mapa Spontex

In early 2011, the company appointed Mapa Spontex as its supplier to the hypermarket channel in France. Mapa Spontex is part of Jarden and net sales to Mapa Spontex in 2012 amounted to £0.1m (2011: £0.8m). As at 31 December 2012, the net debtor relating to Mapa Spontex amounted to £0.09m (2011: £Nil).

Wilkins Kennedy

W J B Payne, a non-executive director of the company, is a partner of Wilkins Kennedy, Chartered Accountants, the firm which provides his services. During the period Wilkins Kennedy were paid £12,000 (2011: £12,000) for the provision of W J B Payne's services as a non-executive director and £21,332 (2011: £38,750) for accounting and management services. At the year end the company owed Wilkins Kennedy £nil (2011: £5,700).

The company has taken the exemption under FRS 8 "Related party transactions", not to disclose transactions with other group undertakings where the party to the transaction is wholly owned by a member of the group.

26. Retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund for the year and amounted to £80,627 (2011: £60,506). Contributions amounting to £26,351 (2011: £4,697) were payable at the year end, and are included within accruals in note 15.

27. Controlling party

There is no ultimate controlling party that has significant influence in the activities of Sprue Aegis plc.