Sprue Aegis plc Report and Accounts for the year ended 31 December 2011

SPRUE AEGIS

SPRUE AEGIS PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

The Company's Registration No. is: 3991353

SPRUE AEGIS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

Financial highlights

• Turnover increased 11% to £33.3m (2010: £29.9m)

• Operating profit increased 13% to £3.5m (2010: £3.1m)

• Gross margin (before BRK distribution fee) improved to 44.6% (2010: 42.1%)

• Operating profit margin increased to 10.4% (2010: 10.3%)

• Profit before tax increased 14% to £3.4m (2010: £3.0m)

• Basic EPS increased 23% to 7.66p (2010: 6.25p)

• Recommended final dividend doubled to 2.0p per share (2010: 1.0p)

• Net cash increased to £5.9m (2010: £4.5m)

• Net cash inflow from operating activities at 100% of operating profit (2010: 129%)

Operational highlights

• Maintained high level of product investment to prepare new products and technology which are due to be launched throughout 2012

• Ground-breaking ST-620 Thermoptek™ smoke alarm was the highest selling domestic smoke alarm in the UK in 2011

• Creation of five separate business units to focus on each major sector and co-ordinate Group resources

• Completed the miniaturisation of its well proven carbon monoxide sensor which started production in April 2012

• Product certification issues in France and legacy product warranty issues in Germany held back sales in the second half; product certification issues in France now resolved and new FireAngel products will be introduced into Germany in 2012

• French carbon monoxide and smoke market sales growth was slower than anticipated but continues to represent an excellent growth opportunity for the Group

• Increased brand awareness and brand differentiation: FireAngel, First Alert, BRK and Dicon

• Inclusion in “The Sunday Times Virgin Fast Track 100” for the fourth successive year and in “The Sunday Times PwC Profit Track 100” league table for the first time in April 2012. Awarded PLUS SX “Company of the Year” for second time in three years

Introduction

We are delighted to report another record set of results for the Group. Our inclusion in "The Sunday Times Virgin Fast Track 100" – the 100 fastest growing companies in the UK – for the fourth year running, and inclusion for the first time in "The Sunday Times PwC Profit Track 100" league table earlier this month are continued endorsement of our strategy to build a pan-European business using strong brands and innovative products to generate attractive operating margins. Sprue is the only Midlands based company ever to be included in Fast Track 100 for four consecutive years. In addition, to win "PLUS SX Company of the year" twice in three years is another commendable achievement for the Group.

The Group made significant investment during the year in the development of new products to improve and expand its product offering and allow us to further develop our presence in each of our major markets. New products, developed in 2011, will become available for sale throughout 2012 and beyond helping to drive revenue and operating profit and further cement our position as the leading supplier to Europe's domestic safety products market.

Reflecting a high degree of confidence in the Group's ability to continue to generate free cash flow and grow its earnings, the Board is pleased to recommend that the final dividend is doubled to 2.0 pence per share compared to last year, amounting to a cost of £0.72m. If approved by shareholders at the forthcoming Annual General Meeting on 22 May 2012, the dividend will be paid on 6 July 2012 to those shareholders on the register as at close of business on 1 June 2012.

Financial overview

Turnover increased by 11% to £33.3m with BRK Brands Europe Limited ("BRK") products available to Sprue for the full twelve months compared to nine months in 2010. In the second half of the year, the Group suffered from the withdrawal of NF certification (a French product approval standard) on key products in France and had to resolve a number of legacy product warranty issues in Germany. The combined effect of these two issues reduced revenue and profit growth in the second half which has traditionally enjoyed higher sales than the first half.

Despite lower than expected turnover, careful fixed cost management allowed the Group to deliver double digit operating profit margin of 10.4% (2010: 10.3%) and a 23% increase in basic EPS to 7.66p per share (2010: 6.25p). The basic EPS also benefited from tax credits on development costs which helped reduce the Group's net effective tax rate to 20.0% (2010: 27.0%).

Underlying gross margin before inclusion of the BRK distribution fee showed solid progress, increasing to 44.6% (2010: 42.1%). Gross margin improvements have been achieved through continuous improvement in our manufacturing processes to remove cost, introduction of new products which generally enjoy a relatively higher gross margin than current products, the benefit from forward US dollar denominated contracts compared to spot rates and the translation impact of Euro income into Sterling at favourable exchange rates.

With the European debt crisis and other major political changes affecting world debt markets, the Group has maintained its policy to hedge a prudent proportion of its future US Dollar requirements. The level of forward cover depends on forecast demand, forecast foreign currency flows and future expectations of the Sterling / US$ and Euro / US$ exchange rates.

Following a review of the useful economic life of development costs and the pattern of product sales (many products are still being sold today whilst the related development costs have since been fully written off), the Group extended the amortisation period of certain of its capitalised product development costs from five to seven years, which improved operating profit by circa £0.1m in the year.

Operating profit is stated after the inclusion of a net £0.1m bad debt charge taken in the first half in relation to Focus DIY which went into administration in April 2011.

Net capitalised product development costs increased by £0.7m, largely due to work undertaken to miniaturise the Group's Carbon Monoxide sensor and other major UK product development projects. However, despite this increased investment, working capital management led net cash to increase at the year end to £5.9m (2010: £4.5m). Net cash inflow from operating activities of £3.5m was 100% of operating profit for the year (2010: £3.9m, 129%).

In the last two financial years, the Group's net cash inflow before financing and dividends amounted to £4.3m. In the same period, revenue has more than doubled, from £14.4m in 2009 to £33.3m in 2011 and operating profit has increased by 73% from £2.0m to £3.5m.

Operating overview

Product development. Following in the footsteps of our ground-breaking ST-620 Thermoptek™ smoke alarm which became the highest selling domestic smoke alarm in the UK last year – and is one of the best performing domestic smoke alarms on the market – we have a further new range of innovative and ground-breaking products which we plan to launch in 2012. New products are targeted at specific customer needs in each of the markets we serve. We aim to be the market leader in each of the major markets we serve.

Product innovation is based around designing products which perform more efficiently (to use less power), provide more features or which reduce total manufactured cost of the product. We have been successful on all three fronts in recent years and we continue to work hard to mitigate the continuous product cost headwinds we see coming out of China. Today, we have a well-stocked pipeline of new products which will come through in 2012 and beyond.

We continue to work in partnership with our key suppliers (of which Jarden is the Group's largest supplier by value of purchases), to ensure they maintain sufficient capacity to support our growth and improve their manufacturing facilities year on year. Last year, our own in-house UK and Canada based engineers spent around six months in China supporting our suppliers to continuously improve their product manufacturing processes.

UK Retail. UK retail sales increased by 6% on a like-for-like basis despite the loss of Focus DIY which went into administration in the first half of 2011 with a net bad debt impact of £0.1m. We have sought to leverage our brand equity by offering a range of differentiated products under different brands from one supplier. This multi-brand concept is appreciated by retailers which seek to offer choice to their customers at different price points from a single supply source, helping to keep their supply chain management costs down.

We are delighted to report that B&Q and Tesco continue to be major retail customers of the Group. In addition, we have benefited from B&Q, Tesco and Screwfix expanding their existing stores and opening new stores. Our smoke and carbon monoxide products are often considered "non-discretionary spend", and with a maximum product life of ten years, the replacement cycle continuously drives repeat revenue for our business with all products needing to be replaced at least once every ten years.

UK Fire & Rescue Services ("UK F&RS"). Despite budget cuts introduced by the UK Government, UK F&RS sales performed well and met our budget expectations. However we expect 2012 sales to decline slightly as sales come under continued budgetary pressures. The tacit endorsement and strong advocacy that is derived from our 90% plus market share of the UK F&RS is a powerful endorsement of our products.

UK F&RS purchase Wi-Safe, our wireless based products specifically developed by the Group to support people who have visual or hearing difficulties. Later this year, the Group will launch Wi-Safe II, which has an improved range of wireless communication. Wi-Safe and Wi-Safe II are specifically marketed as speciality products for the more vulnerable members of society.

In 2011, The Consortium for Purchasing and Distribution Limited took over the management of the Firebuy framework agreement. We are working closely with this body and the UK F&RS to ensure Sprue continues to retain its leading market share of this important market.

UK Trade. UK Trade sales were behind budget expectations but still represent a major potential area for growth for the Group in 2012 and beyond. The Group has continued to hire new sales people into this sector, including a Director of Trade Sales, to drive growth and implement the Group's strategy for this important sector. With an increased range of AC powered products becoming available in 2012 and the recent launch of our push-fit RF radio base, the Group's competitive product offering in this sector is expected to significantly improve through 2012.

Continental Europe. Brand leadership in Benelux and solid progress in other parts of Continental Europe helped partially offset the lower than expected sales in Sprue's two largest Continental European markets: France and Germany. With new middle management hires based in Continental Europe and with refocused efforts in France and Germany, the Group expects this sector to return to significant growth in 2012 onwards.

France. Withdrawal of NF product certification significantly impeded sales into France in the second half of 2011. In March 2012, the Group resolved the product certification issues and recommenced sales of its full range of NF certified products (NF is the French home safety products standard set by AFNOR, the French approval body).

It has become evident that the level of customer awareness of the legal requirements for smoke alarms to be fitted in domestic properties in France is still extremely low. Consequently, sales into France have not increased to the extent that the Board had predicted, and with some supply channels now full, some retailers have discounted the products to reduce stock, resulting in price erosion.

Given the lower than expected sales growth last year, forecasting how quickly smoke alarm sales will accelerate is difficult to assess. Notwithstanding this, Sprue management still estimate that the smoke alarm market in France equates to a market of approximately 50 million smoke alarms that will be required over the next three years and we remain well placed to obtain a reasonable share of this market.

Germany. The timing of implementation of new legislation in a number of German states lagged behind expectations which slightly held back sales last year. In addition, the Group has had to contend with a number of "legacy" product warranty issues in Germany, which are now largely resolved. We are working hard to rebuild customer confidence and recover lost ground in this important market, introducing the FireAngel brand with a new range of products in the final stages of obtaining "Q label" certification for Germany.

Specifically, FireAngel's "function rich" products and diagnostics capability appear particularly attractive to customers in the German market and attract a premium over comparable products sold in the UK. In addition, the level of carbon monoxide awareness is increasing which will also help drive carbon monoxide alarm revenue in this market.

Pace Sensors. Pace Sensors in Canada completed the extensive development work to miniaturise its existing carbon monoxide sensor included within FireAngel carbon monoxide alarms in March 2012. The new sensor, the "Nano-905", enjoys improved performance and requires less production staff on the assembly line. Our carbon monoxide sensor and carbon monoxide product development efforts have maintained Sprue's position in an elite group of the world's leading carbon monoxide sensing specialists.

Production of the new carbon monoxide sensor commenced in April 2012 and the Group continues to explore other potential OEM opportunities to sell the miniaturised carbon monoxide sensor.

Board Changes

As part of the Distribution Agreement dated 7 April 2010, Sprue appointed Ashley Silverton to the Board as a non-executive director in March 2011. In September 2011, Tom Russo, President of Jarden Safety and Security, also joined the Sprue Board as a non-executive director, having been nominated by Jarden as its Board representative. Both Mr Silverton and Mr Russo bring extensive experience to the Board, in investment management and the safety products industry respectively.

Proposed final dividend

We are delighted to announce that the Board has recommended to double the final dividend to 2.0 pence per share. The proposed cost to the Group amounts to £0.72 million and it is covered 3.8x by post tax profit. If approved by shareholders, the record date will be 1 June 2012 and the dividend will be paid to shareholders on 6 July 2012.

Outlook

Continental Europe, UK Trade and increased sales of carbon monoxide detectors offer significant growth opportunities for the Group in terms of winning new customers and expanding our product range to drive revenue and operating profit and increase our market share.

We continue to work very closely with all our UK retail customers to provide market leading competitively priced innovative products to keep Sprue at the forefront of the UK retail market.

In 2012, Sprue will retender the UK F&RS business and with over 90% market share already, we are well placed to continue to supply this business. The pending introduction of our Wi-Safe II range further enhances our 2012 product offering to the UK F&RS.

Despite continuing product cost inflation headwinds out of China, we have demonstrated that our business model is highly scaleable, profitable and cash generative. Entering 2012, we remain focused on introducing new products, proactive gross margin management and tight working capital management with the objective to continue to maximise the Group's free cash flow.

We are well placed to seize upon the market opportunities and can see that our addressable smoke and carbon monoxide markets are increasing with ever greater awareness of the dangers of smoke and carbon monoxide. In addition, further legislation will also drive revenue growth.

As ever, our thanks go out to our customers, our shareholders and the talented group of people who work in our business every day and who help us drive our business forward to achieve the demanding objectives which we set.

Graham RA Whitworth
Chairman & Group CEO
Sprue Aegis plc 23 April 2012

SPRUE AEGIS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the consolidated financial statements of the group and company for the year ended 31 December 2011.

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 £2.7m (2010: £2.2m). The directors recommend the payment of a final dividend of 2.0 pence per share (2010: 1.0 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 12 to 15 and a review of the business and expected future developments are set out in the Chairman's Statement on pages 1 to 5. The group signed a distribution agreement with BRK Brands Europe Limited on 7 April 2010 which has made a significant contribution to the increase in revenue and operating profit in the year.

The key financial headlines of the group are as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Turnover	33.3	29.9	14.4	9.4	7.3
Operating profit	3.5	3.1	2.0	1.6	0.9
Net assets	9.5	7.1	4.7	3.1	1.0
Net cash	5.9	4.5	1.7	0.7	0.1

The group's customer base and product offering have expanded considerably since 2007 with turnover and operating profit significantly increasing year on year. 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 transaction with BRK Brands Europe Limited and the successful launch of new FireAngel products during the year, the group is now even better placed to service the needs of its broad European customer base. The group has also strengthened its new product pipe line with significant investment in product development.

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 in particular, in connection with movements in exchange rates between US$ and the Euro, the US$ and Sterling, the Canadian $ and Sterling and Sterling and the Euro. Changes in price due to 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 both interest bearing assets and interest bearing liabilities. The group has a policy of ensuring its loan notes are at a fixed interest rate to ensure certainty of future interest cash flows. The directors continue to review the appropriateness of this policy given likely future cash flows and potential costs of borrowing.

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, or appointment date if later, and at the end of the year were as follows:

	31 December 2011	31 December 2010
Executive		
N A Rutter	**3,184,250**	3,184,250
G R A Whitworth	**3,666,700**	3,666,700
J F Walsh	**66,667**	66,667
J R Gahan	**117,833**	75,833
P Brigham	-	-
Non- executive		
P J Lawrence	**815,214**	946,750
A Silverton (appointed 5 March 2011)	**20,000**	-
T Russo (appointed 29 September 2011)	-	-
W J B Payne	**189,167**	189,167

P J Lawrence sold 100,000 shares at 64.8p on 20 May 2011 and 31,536 shares at 56.71p on 4 November 2011.

A Silverton was appointed to the Board on 5 March 2011. On 14 June 2011 A Silverton purchased 20,000 shares at 68.5p.

J Gahan purchased 22,000 shares at 45.0p on the 21 April 2011 and 20,000 shares at 32.0p on the 27 January 2011.

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

G R A Whitworth	435,000 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 2011 were 96 days (2010: 124 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 17. 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 auditors 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

23 April 2012

SPRUE AEGIS PLC

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

We have audited the group and parent company financial statements on pages 12 to 33. 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 auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 9, 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 2011 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

23 April 2012

SPRUE AEGIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	**2011**	**2011**	2010	2010
		£'000	**£'000**	£'000	£'000
Turnover	**(2)**		**33,275**		29,873
Cost of sales			**(22,605)**		(20,099)
Gross profit			**10,670**		9,774
Distribution costs			**(623)**		(669)
Research and development		**(508)**		(721)	
Other administrative expenses		**(6,078)**		(5,321)	
Administrative expenses			**(6,586)**		(6,042)
Operating profit			**3,461**		3,063
Interest receivable and similar income			**11**		6
Interest payable and similar charges	**(3)**		**(50)**		(80)
Profit on ordinary activities before taxation	**(5)**		**3,422**		2,989
Tax on profit on ordinary activities	**(6)**		**(683)**		(808)
Profit for the year	**(19)**		**2,739**		2,181
Earnings per share (pence)					
Basic	**(7)**		**7.66**		6.25
Fully diluted	**(7)**		**6.94**		5.82

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 2011

	Note	2011	2010
		£'000	£'000
Profit for the year		**2,739**	2,181
Currency translation differences on foreign currency net investments	**(19)**	**16**	(8)
Adjustment in respect of share-based payments	**(19)**	**39**	60
Total recognised gains for the year		**2,794**	2,233

SPRUE AEGIS PLC

CONSOLIDATED BALANCE SHEET — **AS AT 31 DECEMBER 2011**

	Note	2011	2010
		£'000	£'000
Fixed assets			
Intangible fixed assets	**(9)**	**1,541**	833
Tangible fixed assets	**(10)**	**282**	217
		1,823	1,050
Current assets			
Stocks	**(12)**	**4,923**	5,074
Debtors	**(13)**	**7,027**	7,725
Cash at bank and in hand		**6,359**	4,974
		18,309	17,773
Creditors: amounts falling due within one year	**(14)**	**(9,763)**	(11,092)
Net current assets		**8,546**	6,681
Total assets less current liabilities		**10,369**	7,731
Creditors: amounts falling due after more than one year	**(15)**	**(494)**	(492)
Provisions for liabilities	**(16)**	**(362)**	(179)
Net assets		**9,513**	7,060
Capital and reserves			
Called up share capital	**(17)**	**716**	714
Share premium account	**(18)**	**3,449**	3,434
Profit and loss account	**(19)**	**5,348**	2,912
Shareholders' funds	**(20)**	**9,513**	7,060

The financial statements on pages 12 to 33 were approved by the Board of directors and authorised for issue on 23 April 2012 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 2011**

	Note	2011	2010
		£'000	£'000
Fixed assets			
Intangible fixed assets	**(9)**	**-**	664
Fixed asset investments	**(11)**	**881**	856
		881	1,520
Current assets			
Debtors -due within one year	**(13)**	**-**	143
-due after one year	**(13)**	**5,499**	6
Cash at bank and in hand		**40**	4,878
		5,539	5,027
Creditors: amounts falling due within one year	**(14)**	**(197)**	(1,146)
Net current assets		**5,342**	3,881
Total assets less current liabilities		**6,223**	5,401
Creditors: amounts falling due after more than one year	**(15)**	**(494)**	(492)
Provisions for liabilities	**(16)**	**-**	(179)
Net assets		**5,729**	4,730
Capital and reserves			
Called up share capital	**(17)**	**716**	714
Share premium account	**(18)**	**3,449**	3,434
Profit and loss account	**(19)**	**1,564**	582
Shareholders' funds	**(20)**	**5,729**	4,730

The financial statements on pages 12 to 33 were approved by the Board of directors and authorised for issue on 23 April 2012 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 2011

	Note	2011	2010
		£'000	£'000
Net cash inflow from operating activities	**(21a)**	**3,456**	3,944
Returns on investment and servicing of finance	**(21b)**	**(39)**	(74)
Taxation	**(21b)**	**(663)**	(664)
Capital expenditure and financial investment	**(21b)**	**(1,031)**	(584)
Equity dividends paid		**(358)**	(178)
Cash inflow before use of liquid resources and financing		**1,365**	2,444
Financing	**(21b)**	**17**	(176)
Increase in cash during the year		**1,382**	2,268
Reconciliation of net cash flow to movement in net funds			
Increase in cash during the year		**1,382**	2,268
Cash outflow from decrease in debt		**-**	475
Non cash movement in loan and unamortised issue costs		**(2)**	(4)
Change in net funds resulting from cash flows		**1,380**	2,739
Translation difference		**3**	1
Movement in net funds in the year		**1,383**	2,740
Net funds at beginning of year		**4,482**	1,742
Net funds at end of year	**(21c)**	**5,865**	4,482

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 2011. 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 five and seven 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

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 it's estimated useful life as follows:-

Fixtures and fittings	25% per annum
Office equipment	33% per annum
Software capitalised	33% per annum
Motor vehicles	25% 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 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 6.

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 2011 is given below:

	2011	2010
	£'000	£'000
United Kingdom and Eire	**21,117**	21,197
Continental Europe and others	**12,158**	8,676
	33,275	29,873

3. Interest payable and similar charges

	2011	2010
	£'000	£'000
Interest on loan notes	**50**	80
	50	80

4. Employees

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

	2011	2010
	Average Number	Average Number
CO Sensor manufacturing & development	**8**	22
Technology	**15**	15
Administration	**17**	14
Sales and marketing	**18**	9
Executive and non-executive directors	**8**	7
Warehousing	**7**	5
	73	72

Costs in respect of these employees:	**£'000**	£'000
Wages and salaries	**3,045**	2,742
Social security costs	**337**	287
Pension scheme costs	**61**	7
Share-based payments (share option scheme)	**39**	60
	3,482	3,096

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

	£'000	£'000
Wages and salaries	**434**	197
Social security costs	**54**	25
	488	222

Directors' emoluments in respect of the directors of Sprue Aegis plc	**£'000**	£'000
Aggregate emoluments	**923**	732
The emoluments of the highest paid director	**233**	201

The highest paid director did not exercise any share options in the current or preceding year. The element of the share-based payment charge relating to the highest paid director was £4,857 (2010: £8,803).

None of the directors exercised any share options in the current or preceding year. The share-based payment charge relating to the remaining eight directors was £27,296 (2010: £31,772).

Under the defined contribution pension scheme the pension cost charge payable by the group in respect of the directors for the year amounted to £7,222 (2010: £nil).

5. Profit on ordinary activities before taxation

		2011	2010
Profit on ordinary activities before taxation is stated after charging / (crediting):		**£'000**	£'000
Amortisation of goodwill		**19**	26
Depreciation of tangible fixed assets		**100**	32
Profit on disposal of fixed assets		**(2)**	-
Current year research and development expenditure		**371**	424
Amortisation of development expenditure		**137**	297
Auditors' remuneration - audit services	- company	**15**	17
	- subsidiaries	**30**	24
Foreign exchange gain		**(1)**	(187)
Operating lease rentals	- land and buildings	**231**	163
	- other	**120**	80

6. Taxation

	2011	2010
Current tax	**£'000**	£'000
UK Corporation tax	**509**	535
Adjustments in respect of prior years	**(9)**	94
Total current tax charge and tax on profit on ordinary activities	**500**	629
Deferred tax		
Origination and reversal of timing differences	**183**	179
Total deferred tax	**183**	179
Total tax on profit on ordinary activities	**683**	808

6. 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:

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation	**3,422**	2,989
Standard rate of corporation tax in the UK	**26%**	28%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	**890**	837
Effects of:		
Expenses not deductible for tax purposes	**3**	17
Capital allowances in excess of depreciation	**(33)**	(22)
Net adjustment in respect of prior periods	**(9)**	94
Allowance for capitalised development expenditure	**(351)**	(79)
Utilisation of tax losses brought forward	-	(218)
Current tax charge for year	**500**	629

7. Earnings per share

	2011	2010
	£'000	£'000
Profit attributable to shareholders being profit after taxation	**2,739**	2,181
	No.	No.
Weighted average number of shares in issue for basic calculation ('000)	**35,779**	34,889
Deemed issue of potentially dilutive shares ('000)	**3,681**	2,613
Weighted average number of shares in issue for diluted calculation ('000)	**39,460**	37,502
Earnings per share (pence)		
-basic	**7.66**	6.25
-fully diluted	**6.94**	5.82

8. Dividends

	2011	2010
	£'000	£'000
Ordinary:		
Final dividend paid: 1.0p per share in relation to 2010 (0.5p per share in relation to 2009)	**358**	178

The Board has approved a final dividend in respect of 2011 of 2.0 pence per share. The proposed cost to the company amounts to £0.72 million and it is covered almost 3.8x by post tax profit. If approved by shareholders at the forthcoming AGM on 24 May 2012, the ex-dividend date and associated record date would be 30 May and 1 June 2012 respectively and would be paid to shareholders by 6 July 2012, being within 30 business days of the record date.

9. Intangible fixed assets

	Company	Group		
	Development costs	Goodwill	Development costs	Total
	£'000	£'000	£'000	£'000
Cost				
1 January 2011	1,487	361	1,487	1,848
Additions	-	-	864	864
Transfer to subsidiary	(1,487)	-	-	-
31 December 2011	-	**361**	**2,351**	**2,712**
Amortisation				
1 January 2011	823	192	823	1,015
Charge for the year	-	19	137	156
Transfer to subsidiary	(823)	-	-	-
31 December 2011	-	**211**	**960**	**1,171**
Net book value				
31 December 2011	-	**150**	**1,391**	**1,541**
31 December 2010	664	169	664	833

As of 1 January 2011, development costs that were previously borne by the parent company Sprue Aegis plc, have now been re-assigned to Sprue Safety Products Limited, the group's main UK trading entity.

As of 1 January 2011, the group revised the accounting estimate for the amortisation of development costs which are charged over a period of between five and seven years (2010: amortisation period was five years) to reflect the product life expectancy. The benefit to profit from changing the estimate is £0.1m.

10. Tangible fixed assets

Group	Fixtures and fittings £'000	Office equipment £'000	Software capitalised £'000	Motor vehicles £'000	Total £'000
Cost					
1 January 2011	31	167	165	-	363
Additions	15	99	48	5	167
Disposals	-	(27)	-	-	(27)
31 December 2011	**46**	**239**	**213**	**5**	**503**
Depreciation					
1 January 2011	19	102	25	-	146
Charge for year	4	36	59	1	100
Eliminated on disposals	-	(25)	-	-	(25)
31 December 2011	**23**	**113**	**84**	**1**	**221**
Net book value					
31 December 2011	**23**	**126**	**129**	**4**	**282**
31 December 2010	12	65	140	-	217

11. Fixed asset investments

	Participating interests		
	Shares	**Loans**	**Total**
Company	**£'000**	**£'000**	**£'000**
Cost			
1 January 2011	149	707	856
Additions	-	25	25
31 December 2011	**149**	**732**	**881**
Impairment			
1 January 2011 and 31 December 2011	-	-	-
Net book value			
31 December 2011	**149**	**732**	**881**
31 December 2010	149	707	856

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 fire and related safety 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.

12. Stocks

	Group 2011	**Company 2011**	Group 2010	Company 2010
	£'000	**£'000**	£'000	£'000
Goods for resale	**4,923**	**-**	5,074	-

13. Debtors

	Group 2011	**Company 2011**	Group 2010	Company 2010
	£'000	**£'000**	£'000	£'000
Amounts falling due within one year:				
Trade debtors	**6,555**	**-**	6,963	-
Other debtors	**186**	**-**	464	-
Corporation tax recoverable	**-**	**-**	80	80
Prepayments and accrued income	**286**	**-**	218	63
	7,027	**-**	7,725	143
Amounts falling due after more than one year:				
Amounts owed by group undertaking	**-**	**5,499**	-	6
	-	**5,499**	-	6

Domestic trade debtors are pledged as security to the group's bankers as part of the group's banking facilities as at 31 December 2011 (2010: trade debtors were pledged as security to the group's bankers). The domestic trade debtor balance at the year end 2011 was £3.58m (2010: £4.63m).

As at 1 January 2011, certain debtors were transferred out of Sprue Aegis plc, from the company's balance sheet, into the group's main trading company, Sprue Safety Products Limited.

14. Creditors: amounts falling due within one year

	Group 2011	**Company 2011**	Group 2010	Company 2010
	£'000	**£'000**	£'000	£'000
Trade creditors	**7,008**	**-**	8,031	-
Other taxation and social security	**114**	**-**	124	99
Other creditors	**-**	**-**	231	95
Accruals and deferred income	**2,460**	**6**	2,280	526
Corporation tax payable	**181**	**191**	426	426
	9,763	**197**	11,092	1,146

As at 1 January 2011, certain creditors were transferred out of Sprue Aegis plc, from the company's balance sheet, into the group's main trading company, Sprue Safety Products Limited.

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

	Group 2011	Company 2011	Group 2010	Company 2010
	£'000	**£'000**	£'000	£'000
Loan notes repayable between one and two years	**494**	**494**	492	492
	494	**494**	492	492

The loan note balance included in pages 10 and 11 are stated net of unamortised issue costs of £0.01m (2010: £0.08m). These costs together with the interest expense are allocated to the profit and loss account over the terms of the loan note.

The loan note of £494,000 (£500,000 gross of unamortised issue costs) is secured on certain of the company and group's intellectual property rights and bears interest at 9%. This loan is repayable in full on, or at the company's discretion prior to, 20 January 2013.

16. Provisions for liabilities

	Group 2011	Company 2011	Group 2010	Company 2010
Deferred tax	**£'000**	**£'000**	£'000	£'000
Balance as at 1 January	**179**	**179**	-	-
Transfer to subsidiary	**-**	**(179)**	-	-
Transfer from profit and loss	**183**	-	179	179
Balance at 31 December	**362**	-	179	179

The provision for deferred tax comprises £362,000 (2010: £179,000) in respect of timing differences relating to capitalised development costs. As a result of the transfer of development costs from the parent company, Sprue Aegis plc, to the trading entitiy of Sprue Safety Products Limited, the provision for liabilities was transferred at carrying value.

17. Called up share capital

	Group and company 2011	Group and company 2010
	£'000	£'000
Authorised		
100,000,000 (2010: 100,000,000) Ordinary shares of 2p each	**2,000**	2,000
Allotted, called up and fully paid		
35,824,173 (2010: 35,726,140) Ordinary shares of 2p each	**716**	714

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	**98**	**2**	**17**

18. Share premium account

	Group and company 2011
	£'000
At beginning of the year	3,434
Premium on issue of shares	15
At end of year	3,449

19. Profit and loss account

	Group 2011	Company 2011
	£'000	£'000
At beginning of year	2,912	582
Profit for year	2,739	1,340
Currency translation differences on foreign currency net investments	16	-
Adjustment in respect of share-based payments	39	-
Dividend paid during the year	(358)	(358)
At end of year	5,348	1,564

The profit for the financial year dealt with in the company was £1.3m (2010: £2.3m). 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 £0.04m.

20. Reconciliation of movements on shareholders' funds

	Group 2011	Company 2011	Group 2010	Company 2010
	£'000	£'000	£'000	£'000
Profit for the financial year	2,739	1,340	2,181	2,258
Dividends	(358)	(358)	(178)	(178)
	2,381	982	2,003	2,080
Other recognised gains and losses relating to the year	16	-	(8)	-
Adjustment in respect of share-based payments	39	-	60	60
New share capital subscribed	17	17	299	299
Net addition to shareholders' funds	2,453	999	2,354	2,439
Opening shareholders' funds	7,060	4,730	4,706	2,291
Closing shareholders' funds	9,513	5,729	7,060	4,730

21. Cash flow statement

	Group 2011	Group 2010
	£'000	£'000
a) Reconciliation of operating profit to operating cash flows		
Operating profit	**3,461**	3,063
Amortisation of capitalised development costs and goodwill	**156**	323
Depreciation charges	**100**	32
Profit on disposal of fixed assets	**(2)**	-
Exchange differences	**17**	29
Share-based payment expense	**39**	60
Movement in debtors	**618**	(3,933)
Movement in stock	**151**	(3,683)
Movement in creditors	**(1,084)**	8,053
Net cash inflow from operating activities	**3,456**	3,944

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**	6
Loan note related finance costs	**(50)**	(80)
	(39)	(74)
Taxation		
Tax paid	**(663)**	(664)
Capital expenditure and financial investment		
Investment in development costs	**(864)**	(380)
Purchase of tangible fixed assets	**(167)**	(204)
	(1,031)	(584)
Financing		
Repayment of loan note	**-**	(475)
Issue of shares by parent undertaking (including share premium)	**17**	299
	17	(176)

c) Analysis of net debt	**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	4,974	1,382	-	3	**6,359**
Debt due after one year	(492)	-	(2)	-	**(494)**
	4,482	1,382	(2)	3	**5,865**

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

22. 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	-	-	1,345,000	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						
16/12/2004	60,000	(29,444)	(30,556)	-	15/12/2011	16.50p
12/07/2006	80,000	-	-	80,000	11/07/2013	15.00p
15/11/2007	115,000	(28,472)	(1,528)	85,000	14/11/2014	17.00p
07/05/2008	120,000	(18,433)	(6,567)	95,000	06/05/2015	18.00p
07/05/2009	160,000	(21,685)	(13,315)	125,000	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
	5,880,000	(98,034)	(51,966)	5,730,000		

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. The carried forward number of outstanding share options stated in the 2010 statutory accounts was understated by 20,000 in error. These 20,000 options in total, which were granted to former employees in 2004 and 2006, are now correctly included in the 5,880,000 options brought forward.

As at 31 December 2011, a total of 5,730,000 options were outstanding. The weighted average remaining contractual life of outstanding share options at the period end was 3.7 years and the weighted average exercise price for these share options is 19.48 pence per share.

During the year, 98,034 share options were exercised at a weighted average price of 17.5 pence per share.

22. Share options and share-based payments (continued)

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

Directors' share options	**2011**	2010
Average share price when options issued	**24.84p**	35.00p
Average expected volatility	**17.25%**	2.80%
Expected life	**7 years**	7 years
Risk-free rate	**2.13%**	4.50%
Expected dividends	**Zero**	Zero

Employee share options	**2011**	2010
Average share price when options issued	**19.69p**	35.00p
Average expected volatility	**18.53%**	2.80%
Expected life	**7 years**	7 years
Risk-free rate	**2.13%**	4.50%
Expected dividends	**Zero**	Zero

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

	2011	2010
	£'000	£'000
Employee benefits (note 4)	**39**	60

23. Guarantees and other financial commitments

a) Lease commitments

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

	2011		2010	
	Property	**Others**	Property	Others
	£'000	**£'000**	£'000	£'000
Operating leases which expire:-				
-within one year	**-**	**70**	-	21
-between two and five years	**128**	**34**	89	117
-over five years	**123**	**7**	123	7
	251	**111**	212	145

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. This loan note is shown within creditors falling due after more than one year at £494,000 and is stated net of unamortised issue costs.

Domestic trade debtors were pledged as security to the group's bankers as part of the group's banking facilities as at 31 December 2011 (2010: trade debtors were pledged as security to the group's bankers). The domestic trade debtor balance at the year end 2011 was £3.58m (2010: £4.63m).

c) Foreign exchange commitments

As at 31 December 2011, forward contracts to purchase US$ in 2012 amounted to $7.2m (2010: US$3.0m). Unrealised gains on forward contracts at the year end amounted to £0.5m (2010: unrealised gains £0.02m).

24. 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 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 the 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 of 29.9% in Sprue before 31 March 2013 unless another third party bone-fide bid materialises for the group.

24. Related party transactions (continued)

Jarden represents the single largest supplier to the group supplying a significant proportion of the group's purchased products and charging the group for its ongoing engineering support for its BRK, First Alert and Dicon brands. In 2011, total net purchases from Jarden amounted to £16.6m of which, £4.16m relates to the distribution fee (2010: net purchases from Jarden were £15.6m including £2.82m being nine months' worth of the distribution fee). Included within trade creditors in note 14, total net creditors relating to Jarden as at 31 December 2011 amounted to £4.5m (2010: £7.7m).

Tom Russo and Ashley Silverton

The appointment of Tom Russo and Ashley Silverton to the Sprue board as non-executive directors followed Sprue's appointment as the exclusive distributor for BRK in Europe.

Mapa Spontex

In early 2011, the group 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 2011 amounted to £0.8m (2010: £nil). As at 31 December 2011, the net debtor relating to Mapa Spontex amounted to £Nil (2010: £Nil).

Wilkins Kennedy

W J B Payne is a partner of Wilkins Kennedy, Chartered Accountants, the firm which provides his services. During the period, Wilkins Kennedy were paid £12,000 (2010: £12,000) for the provision of W J B Payne's services as a non-executive director and £38,750 (2010: £28,000) for accounting and management services. At the year end, the group owed Wilkins Kennedy £5,700 (2010: £10,000).

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.

25. 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 £60,506 (2010: £7,064). Contributions amounting to £4,697 (2010: £6,664) were payable at the year end, and are included within accruals in note 14.

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