29 March 2019

FireAngel Safety Technology Group plc
('FireAngel', the 'Company' or the 'Group')

Final Results

FireAngel (AIM: FA.), one of Europe's leading developers and suppliers of home safety products, announces its audited final results for the year ended 31 December 2018.

Financial headlines

- Revenue £37.6 million (2017: £54.3 million)
- Underlying operating loss[1] £2.0 million (2017: underlying operating profit[1] £4.7 million)
- Operating loss £5.8 million (2017: operating profit £0.5 million)
- Adjusted gross profit[2] £9.7 million (2017: £18.0 million)
- Adjusted gross margin[2] 25.7% (2017: 33.1%)
- Exceptional costs totalling £3.7 million and a share-based payments charge of £0.1 million (2017: exceptional costs of £3.8 million; share-based payments charge of £0.4 million)
- Underlying loss before tax[3] £2.1 million (2017: underlying profit before tax[3] £4.7 million)
- Loss before tax £5.9 million (2017: profit before tax £0.5 million)
- Basic and diluted EPS (9.8p) (2017: 1.1p)
- Maintained capitalised development costs and software investment at £3.7 million (2017: £3.6 million)
- Net debt at 31 December 2018 £4.4 million (2017: net cash £3.3 million). Since the year end, the Group and HSBC have agreed to move from a revolving credit facility to a more efficient invoice discounting and overdraft facility
- Announcement today of placing and open offer to raise £6.0 million to accelerate recovery
- Since the year end, the Group implemented a reorganisation and restructuring programme which will yield annualised savings of approximately £0.4 million, as well as further ongoing cost-saving initiatives to ensure a more efficient and effective use of resources

[1] Underlying operating loss in 2018 of £2.0 million is before exceptional charges of £3.7 million and a share-based payments charge of £0.1 million (2017: underlying operating profit of £4.7 million before an exceptional charge for the BRK settlement of £3.8 million and a share-based payments charge of £0.4 million).

[2] Adjusted gross profit is stated before the BRK distribution fee of £0.9 million (2017: £2.9 million) and before the exceptional charge for the stock and disposal provision of £1.1 million (2017: exceptional charge for the BRK settlement of £3.8 million). Adjusted gross margin is adjusted gross profit as a percentage of revenue.

[3] Underlying loss before tax in 2018 of £2.1 million is before exceptional charges of £3.7 million and a share-based payments charge of £0.1 million (2017: underlying profit before tax of £4.7 million before an exceptional charge for the BRK settlement of £3.8 million and a share-based payments charge of £0.4 million).

Operational headlines

- On track to be an independent technology-led business with connected propositions that complement and drive core product sales, including change of name to FireAngel Safety Technology Group plc to more closely align the corporate and brand structures
- End of operational relationship with the Group's previous manufacturing and distribution partner removes the historic obligation to pay an annual distribution fee of £2.9 million (£0.9 million in 2018)
- Action taken in the Group's distribution channels to move from a traditional distributor model to more value-added reseller partnerships
- New FireAngel ranges, manufactured through our two new manufacturing partners, have been well-received by both new and existing customers
- Signed strategically significant partner agreement with Mears to supply the Group's integrated connected home management system to Mears' clients, and becoming Mears' preferred fire safety product provider
- Appointed as exclusive supplier of smoke and heat alarms to St Leger Homes

- Scottish legislation which came into effect since the year end demanding greater safety standards has led to significant and ongoing contract wins in the supply of FireAngel interconnected smoke, heat and CO alarms to a number of Scottish housing associations

Commenting on the results, Neil Smith, Group Chief Executive of FireAngel, said:
"Whilst 2018 was a very challenging year for the Group, we have made good progress in delivering our strategy to become a technology-led business with connected propositions that complement and drive core product sales. Recent announcements detailing a number of contract wins demonstrate the growing strength of our connected proposition and the progress being made within key markets. Legislative change, the heightened awareness of connected products and our new ranges, combined with a series of self-help initiatives, mean we are now very well placed to return the business to strong medium to longer-term growth and profitability. To accelerate this recovery, we have taken steps to restructure our banking facilities to better meet our needs and announced today a placing and open offer to raise £6.0 million."

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Notes to Editors

About FireAngel Safety Technology Group plc

FireAngel's mission is to protect, save and improve our customers' lives by making innovative, leading edge technology simple and accessible. FireAngel is one of the market leaders in the European home safety products market and launched its own connected homes product proposition at the end of 2016.

FireAngel's principal products are smoke alarms, CO alarms and accessories. The Company has an extensive portfolio of patented intellectual property in Europe, the US and other selected territories. Products are sold under FireAngel's leading brands of FireAngel, FireAngel Pro, AngelEye and FireAngel Connect.

For further product information, please visit: www.fireangeltech.com

Chairman's Statement

Overview

Since its admission to AIM in 2014 the Group has delivered significant profits and made good progress in meeting the objectives set by the Board. The business has consistently generated a profitable result despite the emergence in 2016 of the third-party supplied battery impedance issue for which the Company had to provide for significant warranty costs and the settlement in May 2018 with the Group's former manufacturing and distribution partner as part of which the Company agreed to write off unsold stock previously contracted to be purchased back by the other party.

Against that background of profitability and resilience, the Board acknowledges the regrettably poor results for 2018 with the Group recording an underlying loss on its operations and incurring substantial further one-off costs.

There are three main reasons for this sharp decline:

1. Lower than anticipated sales into Europe

Revenue was severely impacted by overstocking in the German trade sector. Significant purchases were made by the Group's distributor at the end of 2017 which meant that although it continued to sell throughout 2018, this demand was fulfilled from 2017 stock, rather than from new stock purchased from the Group. In addition, the change in mix with reduced German trade sales as a proportion of total revenue led to a decline in the overall gross margin achieved.

2. BRK Settlement Agreement

As announced on 10 May 2018 and detailed in the Group's Annual Report for 2017, FireAngel signed a settlement agreement (the 'Settlement Agreement') with BRK Brands Inc, BRK Brands Europe Limited, Jarden LLC and Detector Technology Limited (together 'BRK') in full and final settlement of all matters between the parties. As a result, the Group booked a £3.8 million exceptional charge in its final results for the year ended 31 December 2017.

Although the charge relating to this was accounted for in the financial results for 2017, the investigations into the circumstances which led to the settlement, its negotiation and final resolution absorbed significant amounts of management time over a number of months. This proved to be a huge distraction away from execution of the Group's strategy.

Termination of the distribution agreement reduced the Group's £2.9 million annual distribution fee commitment to BRK to £0.9 million in 2018 (which will be saved completely thereafter). However, this benefit was eroded by the sale of BRK products at reduced selling prices to clear the stock which the Company held prior to the end of the agreement. This detrimentally impacted margin and served to cannibalise sales of the Group's own FireAngel products.

3. New sourcing arrangements in the supply chain

In 2017's Annual Report, the Company confirmed that Flex in Poland had commenced manufacture of FireAngel's products and that a new Far East based supplier had commenced supply of alternatives to the BRK/First Alert products.

Significant time and resource was invested in planning to ensure the business was ready for this transition. However, despite a thorough migration process, short-term delays in reaching production capacity and efficiency impacted both the availability of product and the product cost in the second half of the year.

Results

For the year to 31 December 2018, the Group's revenue was £37.6 million (2017: £54.3 million). The Group made an underlying loss before tax[1] of £2.1 million (2017: profit of £4.7 million). After charging £3.8 million for exceptional costs and share-based payment charges (2017: £4.1 million), the consolidated loss before tax for the year was £5.9 million (2017: profit of £0.5 million).

The adjusted gross profit[2] decreased from £18.0 million to £9.7 million and represented an adjusted gross margin[2] of 25.7% (2017: 33.1%).

[1] Underlying loss before tax in 2018 of £2.1 million is before exceptional charges of £3.7 million (further details of which are set out below) and a share-based payments charge of £0.1 million (2017: underlying profit before tax of £4.7 million before an exceptional charge for the BRK settlement of £3.8 million and a share-based payments charge of £0.4 million).

[2] Adjusted gross profit is stated before the BRK distribution fee of £0.9 million (2017: £2.9 million) and before the exceptional charge for the stock and disposal provision of £1.1 million (2017: exceptional charge for the BRK settlement of £3.8 million). Adjusted gross margin is adjusted gross profit as a percentage of revenue.

Exceptional charges totalling £3.7 million (2017: £3.8 million) have been made in the year as follows:

- Provision against stock and disposal costs: £1.1 million has been provided against stock purchased for the French market to address demand driven by local legislative change. There may be some future upside to the Group's performance if this stock is sold into alternative markets.

- Incremental production ramp up costs: one-off exceptional costs of £0.9 million have been incurred due to delays in reaching full production capacity and pricing expectations at the Group's smoke alarm and connected devices manufacturing partner.

- Restructure of distribution channels: exceptional costs of £1.7 million have been incurred in executing the Group's previously announced strategy to transition from a hardware safety products provider to a more integrated safety solutions provider. The Group has taken action to move from a traditional distributor model to more value-added reseller partnerships in its German distribution channel for both its core and connected product ranges.

Net debt at 31 December 2018 was £4.4 million (2017: net cash £3.3 million). The Company has separately announced today details of a placing and open offer to raise £6.0 million to accelerate recovery and specifically to reduce indebtedness, invest in the Connected Homes proposition and for working capital purposes.

Dividend
Consistent with the decision not to pay an interim dividend for 2018 in light of the costs of the BRK settlement and the Group's trading performance, the Board is not recommending payment of a final dividend for the year. The total dividend payable for 2018 is therefore nil pence per share (2017: 2.5 pence per share).

Our dividend policy will remain under review with the Board's desire to recommence dividend payments when it is prudent to do so.

Business unit performance
Revenue within the UK was down 7% year-on-year and International sales fell significantly by 60% predominantly due to lower sales within the German Trade market. Gross margin was also lower compared to the prior year due largely to the change in mix of sales away from the International market, and the short-term increase in product prices as a result of delays in reaching full production efficiency at the Group's smoke and connected devices manufacturer.

Revenue split between the Group's business units and Pace Sensors was as follows:

	2018 £m	2017 £m	Inc/(dec) £m	Inc/(dec) %	2018 proportion %	2017 proportion %
Trade[1]	**12.4**	13.7	(1.3)	-9%	33%	25%
Retail[1]	**8.3**	9.3	(1.0)	-11%	22%	17%
UK F&RS	**4.2**	4.5	(0.3)	-7%	11%	8%
Utilities	**2.3**	1.9	0.4	21%	6%	4%
Total sales in the UK	**27.2**	29.4	(2.2)	-7%	72%	54%
International	**8.8**	21.9	(13.1)	-60%	24%	40%
Pace Sensors	**1.6**	3.0	(1.4)	-47%	4%	6%

Total	**37.6**	54.3	(16.7)	-31%	100%	100%

[1] From 1 January 2018, certain customers previously reported with the Retail business unit, such as Screwfix and Toolstation, are now reported through the Trade business unit. The 2017 comparatives have been adjusted accordingly.

International
The most notable decline in revenue was in International due to overstocking at our German Trade distributor at the end of 2017. Whilst they were continuing to sell through 2018 they were not buying to the expected levels which led to a marked reduction in the Group's sales in the year. I am pleased to report that sales into German trade have returned to more normal levels in the first months of this year with the Panasonic battery equipped 'P Line' range continuing to build brand recognition within that sector. In addition, the Company has moved to a non-exclusive distribution agreement in Germany which will allow the Group to take advantage of wider distribution networks.

Sales of CO alarms in Germany were over 200% higher than the prior year as consumers become more aware of the dangers of CO poisoning and the impact of the continued marketing focus of our strong CO proposition. This growth has been evident through our established German Trade channel and through German Retail, a new market for FireAngel, where we now supply leading DIY retailers such as Bauhaus and OBI.

Good progress continues to be made with sales into Nordic and Southern European countries, and Poland.

Reflective of the burgeoning legislative drivers, in 2018 we won new business in the Far East as Singapore introduced new smoke alarm legislation requiring the fitment of 10-year sealed-for-life smoke alarms in all new-build properties.

The Group continues to build an exciting pipeline of core and connected opportunities internationally for 2019 and beyond.

UK Trade
At around a third of the Group's revenue, the UK Trade sector represented the highest proportion of total sales in 2018 with income of £12.4 million. This was down 9% on the previous year as trade customers were transitioned away from BRK products to new FireAngel products. In addition, short-term delays in the ramp up of production caused some stock availability issues in the second half of the year which led to demand from some customers not being met.

We estimate the annual addressable UK trade market is worth in excess of £100 million. We continued to make good progress in gaining market share in 2018 as evidenced by a number of significant wins:

- Mears – in September we signed a strategically significant exclusive partnering agreement with Mears Limited ('Mears'), the provider of support services to over 700,000 properties in the Housing and Care sectors in the UK. Under the agreement, we will supply the Group's integrated connected home management system to Mears' clients, and become their preferred fire safety product provider. This partnership is a significant commercial endorsement of the Group's connected home proposition which provides a solution to both heightened duty of care concerns within social housing and economic operational pressures. The subsequent announcement by Mears in November 2018 of the acquisition of Mitie's social housing repairs and maintenance business adds further pipeline opportunities to the already very significant number of properties managed by Mears.

- St Leger Homes – also, in September we were appointed as exclusive supplier of smoke and heat alarms to St Leger Homes which acts as housing services provider to over 22,000 properties in partnership with Doncaster Council.

- Scottish legislation – previously anticipated new legislation in Scotland came into force on 1 February 2019. This demands greater safety standards by requiring all homes to be fitted with interlinked smoke alarms in the living room or lounge and in circulation spaces such as hallways and landings, along with an interconnected heat alarm in the kitchen. Homes are also required to have a carbon monoxide alarm fitted wherever there are fossil fuel burning appliances, such as a gas boiler or wood burning stove. All properties must comply with this legislation by the end of February 2021. Our Trade team has worked closely with stakeholders well in advance of the legislation coming into force which has resulted in a number of contract wins both before and after 1 February 2019. Recently announced wins include Queens Cross Housing Association, River Clyde Homes, Caledonia Housing Association, West of Scotland Housing Association, North View Housing Association and Link Group, with a number of other housing association opportunities in the pipeline.

UK Retail
Revenue from the UK Retail sector declined by 11% to £8.3 million in 2018, primarily due to retailers running down BRK/First Alert stock with the re-stocking of the equivalent new FireAngel ranges in the second half of the year impacted by the short-term delays in the ramp up of production which were resolved by the year end.

The UK Retail team secured a number of notable store and digital channel extensions during 2018, including Tesco, Wickes, and Robert Dyas. Sales through online platforms continue to increase significantly and we were delighted to secure business directly with Amazon in August 2018. Our connected home proposition is ideally suited to digital channels where we can create the content in-house that explains the product features and user benefits of this new technology.

I am pleased to report that UK Retail sales are in line with expected levels in the first months of this year.

UK Fire and Rescue Services ('UK F&RS') and Utilities
Together the UK F&RS and Utilities sectors accounted for 17% of the Group's revenue in the year. The strong performance in Utilities was due to the growth in sales to British Gas of CO alarms in the year. This reflects the continued growth in demand in the wider CO market. We are very proud that over 90% of the UK F&RS choose to fit FireAngel alarms within properties with notable new customers won in the year including Tyne & Wear, Avon and Devon & Somerset.

Pace Sensors
Revenue at Pace Sensors, the Group's manufacturer of CO sensors, represented 4% of total turnover. As anticipated, revenue reduced in 2018 to £1.6 million as the inventory levels were managed down to a more appropriate level and the transition of demand to its lower cost, NANO sensor fitted to some of the Company's CO alarms.

New technology and partnerships
We continued to invest in new technology throughout 2018, capitalising £3.4 million of development expenditure to further enhance the Group's connected home and wider technology portfolio. In addition, we made the final payment of £0.3 million to complete the purchase of core software modules from Intamac which will allow us to introduce a low-cost gateway and increase our market penetration into the B2C market.

A further £2.3 million was incurred in line with the planned investment in tooling at the Group's new smoke alarm and connected devices manufacturer.

Total capital expenditure in the year increased to £6.0 million compared to £5.0 million in 2017. The capital investments in technology and manufacturing capability have been significant, but are essential to ensure we are well set for future growth as an independent business.

New product launches

Standalone products
73 core products and accessories were introduced in the year from both Flex and our manufacturing partner in the Far East with a continued focus on added value user benefits to which a price premium can be attached. Over a period of time we fully expect the demand for connected alarms to increase and at some point sales values to be higher than standalone, however, it is essential we maintain our leadership positions within standalone products through the continued evolution of our ranges.

Connected products

The strategic partnership with Mears Limited ('Mears') announced during 2018 demonstrated not only the market movement towards connected solutions, but also the transition within our business from a supplier of standalone hardware products to a broader safety solutions and services provider.

Under the terms of the agreement, the Group will supply Mears with an integrated connected home management system (the 'System'). FireAngel and Mears are jointly developing the bespoke interface required to integrate the System with Mears' management control system. FireAngel will charge Mears a monthly subscription fee *per connection*, giving the Group a recurring revenue stream and increased visibility of its future revenues with Mears committing to deliver a minimum number of connections during the term of the minimum three-year agreement.

The System is accessed via a wall-mounted touchscreen tablet and will allow the tenants of Mears' clients' properties to review safety information, report service issues to, and schedule maintenance appointments with, Mears. The System will enable Mears' clients to streamline maintenance management processes by facilitating direct interaction with tenants when seeking to arrange repairs and maintenance visits. Alongside FireAngel's Wi-Safe 2 network, the System utilises Z-Wave wireless communication technology, providing the potential in future to connect with other devices and offer additional functionality.

The System will also include FireAngel Predict™, our unique, patented, predictive algorithm technology. Using a combination of the Group's cloud-based technology alongside its predictive algorithm, data from properties will be gathered in real time over the internet allowing FireAngel Predict™ to identify those properties with an increased risk of fire. Once these properties have been identified, appropriate action can be taken ahead of a potential event occurring.

This unique technology has been developed using data from smoke alarms from past fires in conjunction with self-learning AI technology which will constantly refine and improve the system in the future. It represents significant progress in the protection of people and properties from the risk of fire by identifying properties with an increased risk of fire so appropriate action can be taken *before* a potential incident occurs.

The product roadmap is the strongest FireAngel has ever had with a mix of value-added enhancements to our current range as well as step change innovation, such as the new unique FireAngel Predict™. Our focus now is to ensure the investments made in research and development are reflected in increased revenues. In March 2019, we appointed Andy Gregg as Operations Director primarily responsible for driving the Group's agenda with our manufacturing partners as well as the technical and new product introduction teams. Andy joins us with a track record of delivering results having previously held senior positions within Bentley and Aston Martin. This appointment now enables Nick Rutter, Chief Product Officer, to focus on the deployment and sales of our connected home solutions.

Board changes

There were two significant changes to the Board during the year and subsequently. In March 2018 the Group announced the resignation of John Gahan, the Group Finance Director. Zoe Fox, Finance Director of the Group's principal subsidiary, ran the business's finance function until Mike Stilwell joined as Group Finance Director in December 2018. I would like to thank Zoe for her hard work and effort in performing these dual roles for most of the year.

In June 2018 Graham Whitworth, the Group's Executive Chairman, indicated his intention to step down as Executive Chairman once a replacement Non-Executive Chairman had been appointed. The Nominations Committee conducted a thorough search resulting in my appointment as Non-Executive Chairman in January 2019. Following my appointment, Graham has been appointed part time Executive Director of the Group for twelve months with a view to becoming a Non-Executive Director on the expiry of the twelve months. I wish to place on record the Board's thanks to Graham for his outstanding contribution to the Group on many fronts over nearly twenty years. I am delighted he is continuing in an executive capacity to ensure that his wealth of knowledge and experience is not lost to the Group. Graham's immediate priority will be in leading the sales team to focus, in particular, on connected home opportunities.

People

2018 was a very difficult year for FireAngel. Internal and external disruptions placed significant pressures on employees who responded with exceptional commitment to the needs of our customers and I thank them sincerely.

Brexit readiness
The Group has carefully considered the impact of Brexit on its operations and in preparation for this has signed an agreement to utilise warehousing facilities in Rotterdam. This will minimise the cost and disruption of any likely changes to duty regimes or operational processes.

Strategy
The ending of the relationship with BRK, and the transition of manufacturing to Flex and our Far East partner, has successfully reset the direction of the Group in line with the Board's objectives.

Whilst acceptable production yields and capacity have been achieved, the focus in the short term is to continue to improve process efficiency to reduce the costs of production. I am confident that Flex remains the right partner to support the Group's strategic objective of developing technology which provides customers with innovative and market-leading products and solutions.

The current pipeline for new connected product launches planned for this year has given the Board confidence to expect a significant contribution to revenue from connected solutions in 2019 and beyond. To support this, steps have been taken to align the Group's focus and resources to best achieve this ambition. The role of Nick Rutter, the Group's Chief Product Officer and a founder of the business, has been redefined to now directly focus on connected home sales and pipeline development. To take advantage of the technology deliverables, the Group has also commenced a review of the structure, processes and skills within the business to ensure that these are appropriate and optimally aligned to deliver its core smoke and CO products, together with connected propositions.

Together with its focussed investment in product development, these changes are expected to position the Group to meet the growing demand for its core product and connected solutions through its unique, patented technologies, expertise and strong brand. The Board fully expects connectivity and interoperability between devices with external monitoring and messaging to be at the heart of medium to longer-term growth and profitability.

Outlook
Sales in the first three months of 2019 are ahead of the Group's budget. Sales to the Group's distributor to the German market are benefitting from the move away from bonded sales at the end of 2018. The Group has also announced a number of contract wins either side of the year end linked to the requirement for greater safety standards introduced in the Housing (Scotland) Act, which came into force on 1 February 2019.

The Board has already taken steps to reduce the cost base and has identified a range of opportunities to improve performance, including reducing stock levels, improving gross margin, rationalisation of sales propositions and better operational organisation.

Whilst the Board is disappointed with 2018's financial performance, it remains confident that the Group's transition from a pure standalone hardware safety products supplier to a provider of connected safety solutions will underpin strong medium to longer-term growth and profitability.

John Conoley
Chairman
29 March 2019

Consolidated income statement
For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
Revenue	2	**37,587**	54,277
Cost of sales excluding BRK distribution fee and exceptional charges		**(27,922)**	(36,309)
BRK distribution fee		**(944)**	(2,915)
Exceptional charge for Settlement Agreement with BRK	3	**-**	(3,777)
Exceptional charge for stock and disposal costs	3	**(1,105)**	-
Total cost of sales		**(29,971)**	(43,001)
Gross profit		**7,616**	11,276
Gross margin % before BRK distribution fee and exceptional charges		**25.7%**	33.1%
Distribution costs		**(992)**	(1,007)
Administrative expenses before share-based payments charge		**(9,720)**	(9,390)
Share-based payments charge		**(107)**	(358)
Exceptional charge for restructure of distribution channel and production ramp-up costs		**(2,568)**	-
Administrative expenses		**(12,395)**	(9,748)
Total operating expenses		**(13,387)**	(10,755)
(Loss)/profit from operations before exceptional charges and share-based payments charge		**(1,991)**	4,656
(Loss)/profit from operations		**(5,771)**	521
Finance (expense)/income		**(114)**	24
(Loss)/profit before tax		**(5,885)**	545
Income tax credit/(charge)	4	**1,402**	(57)
(Loss)/profit attributable to equity owners of the parent		**(4,483)**	488
Earnings per share (pence)	6		
From continuing operations:			
Basic		**(9.8)**	1.1
Diluted		**(9.8)**	1.1

Consolidated statement of comprehensive income
For the year ended 31 December 2018

	2018 £000	2017 £000
(Loss)/profit for the year	**(4,483)**	488
Items that may be reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations (net of tax)	**(67)**	(85)
Total comprehensive (loss)/income for the year	**(4,550)**	403

Consolidated statement of financial position
As at 31 December 2018

	Notes	2018 £000	2017 £000
Non-current assets			
Goodwill		**169**	169
Other intangible assets		**13,201**	10,475
Purchased software costs		**2,899**	2,574
Plant and equipment		**4,006**	2,077
Deferred tax assets		**-**	273
		20,275	15,568
Current assets			
Inventories		**8,425**	11,201
Trade and other receivables		**10,792**	17,366
Current tax asset		**1,248**	625
Derivative financial assets		**214**	-
Cash and cash equivalents		**1,251**	3,273
		21,930	32,465
Total assets		**42,205**	48,033
Current liabilities			
Trade and other payables		**(11,465)**	(16,472)
Current tax liabilities		**(39)**	(15)
Provisions	8	**(934)**	(1,507)
Derivative financial liabilities		**-**	(364)
		(12,438)	(18,358)
Net current assets		**9,492**	14,107
Non-current liabilities			
Loans and borrowings	7	**(5,700)**	-
Provisions	8	**(600)**	(687)
Deferred tax liabilities		**(1,156)**	(1,974)
		(7,456)	(2,661)
Total liabilities		**(19,894)**	(21,019)
Net assets		**22,311**	27,014

	2018 £000	2017 £000
Equity		
Called up share capital	**918**	918
Share premium account	**12,729**	12,729
Currency translation reserve	**112**	179
Retained earnings	**8,552**	13,188
Total equity attributable to the equity holders of the parent	**22,311**	27,014

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Share capital	Share premium account	Currency translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2017	917	12,713	264	16,090	29,984
Profit for the year	-	-	-	488	488
Net foreign exchange losses from overseas subsidiaries	-	-	(85)	-	(85)
Total comprehensive (loss)/income for the year	-	-	(85)	488	403
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(3,670)	(3,670)
Issue of shares	1	-	-	-	1
Premium arising on issue of equity shares	-	16	-	-	16
Total transactions with owners in their capacity as owners	1	16	-	(3,670)	(3,653)
Credit in relation to share-based payments	-	-	-	358	358
Deferred tax charge in relation to share-based payments	-	-	-	(61)	(61)
Current tax charge in relation to share-based payments	-	-	-	(17)	(17)
Balance at 31 December 2017	**918**	**12,729**	**179**	**13,188**	**27,014**
Loss for the year	-	-	-	(4,483)	(4,483)
Net foreign exchange losses from overseas subsidiaries	-	-	(67)	-	(67)
Total comprehensive loss for the year	-	-	(67)	(4,483)	(4,550)
Credit in relation to share-based payments	-	-	-	107	107
Deferred tax charge in relation to share-based payments	-	-	-	(260)	(260)
Balance at 31 December 2018	**918**	**12,729**	**112**	**8,552**	**22,311**

Consolidated cash flow statement
For the year ended 31 December 2018

	2018 £000	2017 £000
(Loss)/profit before tax	**(5,885)**	545
Finance expense/(income)	**114**	(24)
Operating (loss)/profit for the year	**(5,771)**	521
Adjustments for:		
Depreciation of property, plant and equipment	**385**	271
Amortisation and impairment of intangible assets	**689**	465
(Increase)/decrease in fair value of derivatives	**(578)**	277
Share-based payments charge	**107**	358
Operating cash flow before movements in working capital	**(5,168)**	1,892
Movement in inventories	**2,777**	2,116
Movement in receivables	**6,394**	(4,188)
Movement in provisions	**(660)**	(2,405)
Movement in payables	**(4,983)**	(236)
Cash used by operations	**(1,640)**	(2,821)
Income taxes (paid)/received	**(35)**	376
Net cash used by operating activities	**(1,675)**	(2,445)
Investing activities		
Capitalised development costs	**(3,415)**	(2,670)
Purchased software	**(325)**	(925)
Purchase of property, plant and equipment	**(2,342)**	(1,432)
Interest received	**7**	24
Net cash used in investing activities	**(6,075)**	(5,003)
Financing activities		
Proceeds from issue of ordinary shares	**-**	17
Drawdown of loan	**5,700**	-
Dividends paid	**-**	(3,670)
Interest paid	**(121)**	-
Net cash generated by/(used in) financing activities	**5,579**	(3,653)
Net decrease in cash and cash equivalents	**(2,171)**	(11,101)
Cash and cash equivalents at beginning of year	**3,273**	14,333
Non-cash movements	**149**	41
Cash and cash equivalents at end of year	**1,251**	3,273

Notes

1. Basis of preparation

The figures for the years ended 31 December 2018 and 2017 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The information contained within this announcement has been extracted from the audited financial statements which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union ('adopted IFRS'), and those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. They have been prepared using the historical cost convention except where the measurement of balances at fair value is required. The information in this preliminary statement has been extracted from the audited financial statements for the year ended 31 December 2018 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS.

2. Segmental analysis

Revenue	**2018 £000**	2017 £000
International	**8,756**	21,907
Trade	**12,433**	13,688
Retail	**8,281**	9,290
Fire & Rescue Services	**4,208**	4,506
Utilities	**2,259**	1,850
Pace Sensors	**1,650**	3,036
Total revenue from external customers	**37,587**	54,277

3. Exceptional charges

	2018 £000	2017 £000
Within cost of sales		
Exceptional charge for BRK Settlement Agreement (note a)	**-**	3,777
Provision against stock and disposal costs (note b)	**1,105**	-
	1,105	3,777
Within administrative expenses		
Incremental production ramp up costs (note c)	**928**	-
Restructure of distribution channels (note d)	**1,640**	-
	2,568	-
Total exceptional charges	**3,673**	3,777

a. As announced on 10 May 2018 and detailed in the Group's Annual Report for 2017, FireAngel signed a settlement agreement (the 'Settlement Agreement') with BRK Brands Inc, BRK Brands Europe Limited, Jarden LLC and Detector Technology Limited (together 'BRK') in full and final settlement of all matters between the parties. As a result, the Group recorded a £3.8 million exceptional charge in the results for the year ended 31 December 2017.

b. £1.1 million has been provided against stock originally purchased for the French market to address demand driven by local legislative change.

c. One-off exceptional costs of £0.9 million have been incurred due to delays in reaching full production capacity and pricing expectations at the Group's smoke alarm and connected devices manufacturing partner.

d. Exceptional costs of £1.7 million have been incurred in executing the Group's previously announced strategy to transition from a hardware safety products provider to a more integrated safety solutions provider. The Group has taken action to move from a traditional distributor model to more value-added reseller partnerships in its German distribution channel for both its core and connected product ranges.

4. Income tax

	2018	2017
	£000	£000
Current tax		
UK corporation tax (credit)/charge	**(685)**	(624)
UK – adjustments in respect of prior periods charge/(credit)	**61**	(332)
Foreign tax charge	**27**	190
	(597)	(766)
Deferred tax		
Origination and reversal of temporary differences	**(805)**	823
Income tax (credit)/charge	**(1,402)**	57

5. Dividends

As a result of the loss reported for the year, and consistent with the decision to not pay an interim dividend (2017: 2.5 pence per share), the Directors do not recommend payment of a final dividend for the year (2017: nil pence per share). The total dividend payable for 2018 was therefore nil pence per share (2017: 2.5 pence per share).

The Group's dividend policy will remain under constant review with the Board's desire to recommence dividend payments when it is prudent to do so.

6. Earnings per share

	2018	2017
Earnings from continuing operations	**£000**	£000
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the parent)	**(4,483)**	488
Number of shares	**'000**	'000
Weighted average number of ordinary shares – basic calculation	**45,905**	45,905
Dilutive potential ordinary shares from share options	**30**	30
Weighted average number of ordinary shares – diluted calculation	**45,935**	45,935

	2018	2017
	pence	pence
Basic earnings per share	**(9.8)**	1.1
Diluted earnings per share	**(9.8)**	1.1

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated on the same basis as basic EPS but with a further adjustment to the number of weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees and Directors where the exercise price is less than the average market price of the Company's ordinary shares during the period. Under IFRS no allowance is made for the dilutive impact of share options which reduce a loss per share. The basic and diluted EPS measures are therefore the same for the year ended 31 December 2018.

7. Loans and borrowings

In January 2018 the Group entered into a three-year committed revolving credit facility for £7 million with HSBC UK Bank plc to provide additional financial headroom. As at 31 December 2018 the Group had drawn down £5.7 million of this facility.

Since the year end, the Group and HSBC have agreed to move from a revolving credit facility to a more efficient invoice discounting and overdraft facility.

8. Provisions

	FireAngel warranty provisions £000	BRK Brands warranty provisions £000	Total £000
At 1 January 2017	4,333	260	4,593
(Release)/charge in year	(581)	245	(336)
Utilisation in year	(1,835)	(228)	(2,063)
At 31 December 2017	1,917	277	2,194
Charge in year	581	30	611
Utilisation in year	(1,098)	(173)	(1,271)
At 31 December 2018	**1,400**	**134**	**1,534**

The total warranty provision is classified between less than one year and greater than one year as follows:

	2018 £000	2017 £000
Current provision	**934**	1,507
Non-current provision	**600**	687
Total warranty provisions	**1,534**	2,194

9. Post balance sheet events

The Company has separately announced today details of a placing and open offer to raise £6.0 million to accelerate recovery and specifically to reduce indebtedness, invest in the Connected Homes proposition and for working capital purposes.

Since the year end, the Group and HSBC have agreed to move from a revolving credit facility to a more efficient invoice discounting and overdraft facility.

10. Company information

Full financial statements

The auditors have issued an unqualified opinion on the full financial statements for the year ended 31 December 2018 which will be made available for shareholders and delivered to the Registrar of Companies in due course. The financial information for 2018 and 2017 does not comprise statutory financial statements within the meaning of Section 434 of the Companies Act 2006. Statutory financial statements for the year ended 31 December 2017, on which the auditors gave an unqualified opinion, have been delivered to the Registrar of Companies. No statement has been made by the auditor under Section 498(2) or (3) of the Companies Act 2006 in respect of either of these sets of accounts. Further copies of these results, and the full financial statements when published, will be available on the Company's website at www.fireangeltech.com and at the Company's registered office: FireAngel Safety Technology Group plc, Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ.