



SPRUE AEGIS

24 September 2013

Sprue Aegis plc (“Sprue”, the “Company” or the “Group”)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Sprue designs innovative and market leading smoke and carbon monoxide (“CO”) alarms and other safety related products and is one of Europe’s largest suppliers of such, selling products under its brands of FireAngel, AngelEye and Pace Sensors, and the BRK brands of First Alert, BRK and Dicon. Sprue is pleased to announce its unaudited interim results for the six months ended 30 June 2013 (“H1 2013”).

Financial highlights

- Record first half performance with turnover up 28% to £21.4m (H1 2012: £16.7m)
- Record operating profit (pre-exceptional)* up 50% to £2.1m; reported operating profit of £1.7m (H1 2012: operating profit £1.4m)
- Basic EPS (pre-exceptional)* up 40% to 4.46 pence per share; reported basic EPS up 9% to 3.47 pence per share (H1 2012: 3.19 pence per share)
- As expected, gross margin (before the fixed £2.0m BRK distribution fee (H1 2012: £2.0m)) declined to 39.8% (H1 2012: 43.9%) principally due to a change in sales mix
- Benefit of operational leverage from higher turnover coming through
- Excluding exceptional costs*, administrative and distribution costs reduced as a percentage of turnover from 23.4% to 20.5%
- Balance sheet remains strong with net cash of £3.9m (H1 2012: £5.4m) and no debt
- On course to deliver record results for the year, in line with the Board’s expectations

** Exceptional bid-defence costs of £0.4m incurred in the period*

Operational highlights

- In the UK, the Nano-905, the miniaturised version of the Group’s CO sensor, has passed long-term stability testing and is expected to be included in finished CO alarms from Q2 2014
- North American UL component recognition secured on Gen 1 CO, Sprue’s existing CO sensor, for use in ten-year sealed for life products. This represents a potential entry point into the North American market
- CO sensor volumes at Pace Sensors in Canada have more than doubled compared to last year
- Successful inclusion on the frameworks that have replaced the Firebuy framework agreement to supply UK Fire & Rescue Services (“UK F&RS”)
- UK Retail and Continental Europe both performing significantly ahead of budget
- Successful defence of unwelcome bid by BRK Brands Europe Limited at 90p per Sprue share (“BRK bid”); BRK secured acceptances of only 1.26% and withdrew its offer on 24 May 2013



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

“Despite the distractions of the BRK bid, we are delighted to report record sales and operating profit in what was another extremely busy first half for the Group. The benefits of the multi-year contracts secured in 2012 are coming through in incremental sales and profit and the Group’s full year results are expected to be in line with the Board’s expectations.

It is pleasing to report that in the UK, the Nano-905, Sprue’s miniaturised version of its existing CO sensor made at our Canadian facility, Pace Sensors, has passed long term stability testing. Full-scale manufacture of the new CO sensor will commence shortly, and it is expected to be incorporated in finished CO alarms from Q2 2014. The Nano-905 provides further evidence of the high level of intellectual property within the business. Sprue remains well placed to deliver shareholder value and continues to grow profitably.”

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Notes to Editors

About Sprue Aegis plc

Sprue has a leading position in the European home safety products' market. Its principal products are smoke alarms and CO alarms and accessories and the Company has an extensive portfolio of patented intellectual property. The introduction of safety products legislation and increasing levels of awareness of the danger of smoke and CO continue to drive sales.

Sprue produces one of the world's smallest CO sensors at its wholly owned Pace Sensor facility in Canada for use in CO alarms.

Sprue enjoys a leading footprint in the UK Retail space and has a reputation as the "supplier of choice" to the UK's Fire and Rescue Services, with its award winning products. The Company is a major supplier to the UK's Utility and Leisure sector which includes customers such as British Gas and Scottish Gas and has a well established but relatively low market share of the UK Trade sector. Sprue has a rapidly growing business in Continental Europe selling through independently owned third party distributors. Sprue's brands are well recognised in each of the major markets it competes in.

The Company has won five prestigious Sunday Times Fast Track 100 Awards, which recognises the fastest growing companies in the UK. Sprue is quoted on ISDX.

Sprue has its head office in Coventry and has a further office in Gloucester. Sprue has one rented warehouse near its Gloucester office and one third party owned warehouse in Cambridge servicing the needs of its European customers.

The Company uses third party contract manufacturers to assemble its products in China.

Patented technology

Sprue currently has over 60 patents and has patented its technology in Europe, the US and other selected territories.

Sprue's range of smoke and CO alarms is independently certified to the latest European standards. For further product information, please visit: www.sprue.com or www.fireangel.co.uk or www.pacesensors.co.uk or www.firstalert.co.uk or www.brk.co.uk

Company ethos

Sprue makes products that save lives. It is a simple philosophy. Everything we do is focussed on designing and selling market-leading smoke and CO alarms that achieve this objective.

Sprue is serious about CO and smoke detection and believes everyone should be properly protected with affordable and reliable home safety products from a company with brands you can trust.

Our people work with passion and enjoy being part of a business that designs and sells products that save lives. We encourage our staff to "make a difference" to our business every day.



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OUR BRANDS

Sprue Safety Products: The Authority brand

A house of six powerful brands: Sprue's own brands of FireAngel, AngelEye, Pace Sensors and the BRK brands of First Alert, BRK and Dicon. We design, manufacture and supply safety products that save lives. We strive to inform and educate. We are committed to improving safety standards through investment in innovative products and technology and ever-increasing levels of service and quality.

FireAngel – The Innovation brand

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

AngelEye

Combines technology and design to offer high-performance safety products that are simple to use and in harmony with your home. A strong brand for the French market.

Pace Sensors – The CO technology brand

Pace Sensors, our wholly owned subsidiary based in Canada, is one of the world's leading CO sensor producers. Pace Sensors' CO sensors are used within all FireAngel, AngelEye and Pace Sensors branded CO alarms and certain First Alert branded CO alarms.

First Alert – The Heritage brand

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

BRK – The Trade brand

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

Dicon – The Tactical brand

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



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MANAGEMENT COMMENTARY

Introduction

We continue to build market leading positions in each of the markets we serve by providing innovative, cost competitive, aesthetically designed, market leading home safety products. Our products and technology have a high degree of intellectual property protected through patents. We will continue to expand and improve our product range to increase our addressable markets. Sprue has made strong progress in H1 2013 and is gaining momentum in a number of key markets with significant growth in sales.

Financial review

First half revenue increased by 28% to £21.4m (H1 2012: £16.7m) reflecting the benefit of new multi-year contracts that Sprue entered into in 2012 together with strong sales performance in Continental Europe and UK Retail in particular.

As expected, gross margin before the BRK distribution fee of £2.0m (H1 2012: £2.0m) declined from 43.9% to 39.8% principally due to sales mix. A slight decline in UK F&RS sales was more than offset by a strong increase in Continental European and UK Retail sales.

Operating profit (pre-exceptional)* increased 50% to £2.1m (reported operating profit: £1.7m) and increased at almost twice the rate of sales growth, reflecting operational leverage from incremental sales. The business remains highly scalable and fixed costs (pre-exceptional)* as a percentage of sales continued to improve to 20.5% (H1 2012: 23.4%).

Basic EPS (pre-exceptional)* increased 40% to 4.46 pence per ordinary share (reported basic EPS: 3.46 pence per share) (H1 2012: 3.19 pence per share).

Cash declined at the half year to £3.9m (H1 2012: £5.8m) following a net working capital increase of £3.3m, of which stock accounted for £2.1m. We expect cash generation to improve as inventory levels normalise.

** Exceptional bid-defence costs of £0.4m incurred in the period*

BRK bid and ongoing relationship

We thank those shareholders who supported the Board and rejected the BRK bid at 90 pence per Sprue share. After taking advice, the Independent Directors (excluding Tom Russo and Ashley Silvertown) concluded that the offer price of 90p per share fundamentally undervalued the Company and therefore unanimously rejected the bid and urged shareholders to do the same.

BRK and Sprue continue to co-operate on a day to day basis as supplier/distributor and Sprue remains the exclusive distributor of BRK's brands in Europe until 31 March 2015 at the earliest.

Under the Distribution Agreement ("DA") dated 7 April 2010, Sprue and BRK must confirm by 31 March 2014 whether or not they wish to renew the DA with either side able to serve twelve months' notice to the other should they decide not to renew the DA.



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Independent of the DA, Sprue confirms that it has a manufacturing agreement in place with Detector Technology Limited (“DTL”), a business ultimately owned by Jarden Corporation, the parent company of BRK. This agreement has 12 months’ written notice on both sides and operates independently of the DA. Sprue uses an independent manufacturer for all its own-brand CO products.

Market update

UK Retail. Performed very strongly with an 87% increase in sales compared to H1 2012. Sprue’s own-brand product sales more than doubled, largely due to growth in sales of CO products, which contain Sprue’s CO sensor. Sales to B&Q, Screwfix, Tesco and Amazon, all of which have an online presence, are progressing well. Retail sector sales have benefitted from greater awareness of the danger of smoke and CO with widely publicised safety campaigns led by the UK Government. The majority of sales into UK Retail were of Sprue’s own-brand products.

Continental Europe. Sales were up 48% on H1 2012, largely due to a strong performance in Germany. We continue to receive enquiries from countries in Eastern Europe and parts of Scandinavia for products which are likely to generate further incremental FireAngel branded business. In France, we have now introduced AngelEye as the brand of choice for the DIY channel which represents over circa 90% of the French market by value. Sales into France are in line with our internal expectations.

Store trials with a major customer in France are underway. This represents a new potential entry point to the French retail market.

New legislation in Germany is continuing to drive sales where for example, in Baden-Württemberg (the third largest state with 10.7m inhabitants), legislation will require a smoke alarm to be fitted in all domestic homes by December 2014. The bulk of sales are through professional contractors where Sprue and its German distributor have established contacts and where the diagnostic capability of Sprue’s products is proving highly appealing to German customers. To further drive sales, Sprue has hired a German marketing specialist, who is based largely at its German distributor’s office.

Shortly, the original ten-year products sold into Germany in 2007 are due to be replaced and the replacement cycle that we have seen in Britain will start in Germany. In addition, Berlin (population: 3.3m), Brandenburg (population: 2.5m) and Sachsen (population: 4m), are yet to enact smoke alarm legislation which is expected to provide further growth in sales.

In Germany, sales of FireAngel ST-620 (which scored joint top in Stiftung Warentest, a German consumer products testing association), FireAngel ST-630 and FireAngel WST-630 (including the Wi-Safe II module) which all offer diagnostics capability, are all selling well and have become the products of choice in Germany.

In H1 2013, sales of Sprue’s own-brand products in Continental Europe more than doubled and the majority of sales into this sector were of Sprue’s own-brand products. This ratio is set to increase further as Sprue introduces its FireAngel range to the Benelux market.



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Utilities and Leisure (“U&L”). Sales into the Utilities and Leisure sector increased nearly three-fold over the corresponding period last year largely due to the British Gas and Scottish Gas product sales which represent new business in H1 2013. Sales to Baxi of the “noCO flues in voids CO solution”, which include a relay switch to cut off the supply of gas to the boiler when CO is detected, were also accretive to sales in H1 2013. Baxi products using Sprue’s technology are branded noCO (Baxi’s own brand) and sales are gaining momentum.

Over time, we expect sales to Baxi to significantly increase and we are working on further potential products in conjunction with Baxi. Almost all sales in the U&L sector were of Sprue’s own-brand products.

UK F&RS. As expected, following the UK Government’s budget cuts, sales to the UK F&RS declined by 26% compared to H1 2012. Feedback from the largest brigades suggests that no further major cuts are expected over the next three years although many of the smaller brigades are likely to continue to see slight reductions in their budgets, which Sprue has factored into its internal sales forecasts.

Sprue was successfully appointed in 2013 on all the frameworks that have replaced the Firebuy framework agreement which expired in H2 2012, and sales to Sprue’s UK F&RS customers continue as before. All product sales in this sector were of Sprue’s own-brand products.

UK Trade. UK Trade sales decreased by 12% compared to H1 2012 reflecting the weak UK housing market. FireAngel product sales into UK Trade, including CO alarms, were maintained broadly at the same level as H1.

In October 2013, it will become law in Scotland for all homes to fit a CO alarm where a new or replacement fixed combustion appliance is installed. We expect this to help drive sales. In H1 2013, approximately half of Sprue’s sales into UK Trade were of Sprue’s own-brand products.

Our new range of Trade products is expected to be launched in H1 2014 and will replace much of the BRK trade range, providing enhanced functionality and better performance.

Product development and product innovation

Nano-905. The Nano-905 sensor is expected to be included in finished CO alarms manufactured in Q2 2014. Sprue has spent around £1.0m over the last 3 years to miniaturise its existing Gen 1 CO sensor and has invested a further £0.1m in capex to introduce a second production line at its Pace Sensors facility in Canada to enable the production of the Gen 1 CO sensor and the Nano-905 CO sensor on separate dedicated assembly lines. The original Gen 1 CO sensor will be used in ten-year CO variants to be introduced shortly.

Pace Sensors has seen a significant increase in production volumes which are expected to more than double in 2013 compared to 2012.



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Development of AC powered alarms for the UK Trade market. Sprue is on track to launch a new AC range of products in 2014 with a modern design which will dramatically improve Sprue's product offering in the sector. Historically, most of Sprue's sales have been of battery powered alarms, so this represents an important step forward for the Company, with the expansion of its technology into AC powered products for the first time. From a very low base, Sprue expects to gradually gain market share once its products become established. Sprue continues to sell its battery operated CO alarms into this sector under the FireAngel brand and sales are progressing well.

Wi-safe 2 technology. Our market-leading FireAngel WST-630 Thermoptek smoke alarm incorporates our ten-year battery life Wi-safe 2 technology and allows up to 50 alarms to be meshed in a single wireless network. Sprue expects its low frequency sounder, vibrating pad and strobe, which will also operate with Wi-safe 2, to be approved for sale later this year.

UL approval on Pace Sensors Gen 1 CO sensor. Sprue has secured North American UL component recognition on its Gen 1 CO sensor to sell that component in products in North America. The Gen 1 CO sensor could be incorporated into ten-year "sealed for life" CO alarms. The US State of California is expected to introduce legislation that requires all new smoke alarms to be ten-year sealed for life products from January 2015. Entry into North America would significantly increase Sprue's addressable market.

Launch of FireAngel ST-622. Sprue has made some modifications, including the addition of a "Sleep Easy" function, to the FireAngel ST-620 to create the FireAngel ST-622 which allows the alarm to be silenced a number of times in the event that the chirp warning alarm sounds. This product, which is based on Sprue's Thermoptek technology, has been well received by the UK F&RS.

New product development. We continue to strengthen our technical team, adding much needed resources to bring greater certainty to the delivery of the product road map in 2013, 2014 and beyond. Most of Sprue's technical resources focus on new products for current markets, but Sprue will continue to fund limited investigative research on new potential products to broaden its addressable markets where the Board believes that the potential market opportunity warrants the limited investment.

Shareholder support to move to AIM

As part of the defence of the BRK bid, the Independent Directors announced that they would seek shareholder support to move Sprue's listing to the AIM market of the London Stock Exchange ("AIM") within twelve months of Sprue's May 2013 bid defence document.

The Board believes that a move to AIM would raise investors' awareness of Sprue, potentially improve the daily turnover and liquidity in Sprue's shares and reduce the share price spread. After consulting with major shareholders, the Board expects to make a decision in Q1 2014 as to whether to move the listing to AIM, which could potentially happen in H1 2014.



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Outlook

The Board expects the Group's results for the year ending 31 December 2013 to be in line with its expectations. The current order book is extremely strong and extends into early 2014, providing improving visibility.

We expect FireAngel ST-620, FireAngel ST-630 and FireAngel WST-630 to continue to sell well in all markets. We look forward to the introduction of legislation in the three remaining states in Germany in the near future, which will require fitting of smoke alarms in all domestic properties.

As the 8 March 2015 deadline approaches to fit at least one working smoke alarm in each domestic property in France, Sprue anticipates a rapid uptake in orders which is expected to have a positive impact in late 2014 / early 2015. Predicting precisely when sales into France will increase is difficult to assess, but if France follows the same pattern as other legislated markets, we expect the market opportunity to be very significant for the foreseeable future.

Sprue continues to talk to its suppliers to assess their manufacturing capacity and ability to meet the potential increases in demand for its products

The Board remains optimistic about the Group's prospects.

GRA Whitworth
Chairman and Group CEO

Nick Rutter
Managing Director

John Gahan
Group Finance Director

- ENDS -

The Directors of the issuer accept responsibility for this statement



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UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
	<i>Note</i>		
Turnover	2	21,442	16,736
Cost of sales	3	(14,934)	(11,418)
Gross profit		6,508	5,318
Distribution costs		(672)	(683)
Administrative expenses*		(4,130)	(3,235)
		(4,802)	(3,918)
Operating profit		1,706	1,400
Interest receivable and similar income		7	2
Interest payable and similar charges	4	-	(25)
Profit on ordinary activities before taxation		1,713	1,377
Taxation	5	(342)	(233)
Profit for the period		1,371	1,144
Earnings per share (pence)	6		
Basic		3.47	3.19
Diluted		3.34	2.93

Continuing operations

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

*Administrative expenses include bid defence costs of £0.4m



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STATEMENT OF GROUP TOTAL RECOGNISED GAINS & LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Profit for the period	1,371	1,144
Share based payment expense	8	20
Currency translation differences on foreign currency net investments	21	(13)
Total recognised gains for the period	1,400	1,151



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UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2013

	As at 30 June 2013 £000	As at 30 June 2012 £000
Fixed assets		
Intangible fixed assets	2,560	1,917
Tangible fixed assets	404	274
	2,964	2,191
Current assets		
Stocks	7,472	4,374
Debtors	9,901	6,453
Cash at bank and in hand	3,866	5,760
	21,239	16,587
Creditors: amounts falling due within one year	(12,069)	(7,833)
Net current assets	9,170	8,574
Total assets less current liabilities	12,134	10,945
Creditors: amounts falling due after more than one year	-	(500)
Provision for deferred tax	(593)	(465)
Net assets	11,541	9,980
Capital and reserves		
Called up share capital	7 787	720
Share premium account	8 3,962	3,486
Profit and loss account	6,792	5,774
Equity shareholders' funds	11,541	9,980



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CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Net cash (outflow) / inflow from operating activities	9	(1,461)	306
Return on investment and servicing of finance		7	(23)
Taxation		(461)	(435)
Capital expenditure and financing investments		(601)	(488)
Cash outflow before use of liquid resources and financing		(2,516)	(640)
Financing - receipt of equity		156	41
Decrease in cash during the period		(2,360)	(599)

		Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Reconciliation of net cash flow to movement in net cash			
Decrease in cash during the period		(2,360)	(599)
Decrease in net funds resulting from cash flows		(2,360)	(599)
Non-cash movement in loan and unamortised debt issue costs		-	(6)
Movement in net funds in the period		(2,360)	(605)
Net funds at beginning of period		6,226	5,865
Net funds at end of period	10	3,866	5,260



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Notes to the financial statements

1. Basis of preparation

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

Basis of accounting

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

Basis of consolidation

The Group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 30 June 2013. 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

2. Turnover

An analysis of turnover by geographical market is given below:

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
United Kingdom and Eire	11,981	10,707
Continental Europe	7,452	5,242
Other (including Pace Sensors)	2,009	787
Total	21,442	16,736

3. Cost of sales

Cost of sales includes £2.0m in respect of the distribution fee payable to BRK Brands Europe Ltd under the terms of a distribution agreement dated 7 April 2010 (2012: £2.0m).

4. Interest

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Interest on loan notes	-	(25)
Interest receivable	7	-



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5. Taxation

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Current tax:		
Corporation tax charge for the period	(272)	(130)
Total current tax charge and tax on profit on ordinary activities	(272)	(130)
Deferred tax:		
Origination and reversal of timing differences	(70)	(103)
Total deferred tax	(70)	(103)
Total tax on profit on ordinary activities	(342)	(233)

6. Earnings per share

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Profit attributable to shareholders being profit after taxation	1,371	1,144
Weighted average number of shares in issue for basic calculation ('000)	39,525	35,880
Deemed issue of potentially dilutive shares ('000)	1,492	3,179
Weighted average number of shares in issue for diluted calculation ('000)	41,017	39,059
Earnings per share (pence)		
- basic	3.47	3.19
- diluted	3.34	2.93



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7. Called up share capital

	As at 30 June 2013 £000	As at 30 June 2012 £000
Authorised		
100,000,000 (2012: 100,000,000) ordinary shares of 2p each	2,000	2,000
Allotted, called up and fully paid		
39,345,373 (2012: 36,008,895) ordinary shares of 2p each	787	720

Share options over 761,200 shares were exercised during the period at an average option price of 18.4p per share (H1 2012: 185,000 share options exercised at an average price of 20.0p per share).

	Number '000	Nominal value £000
Ordinary shares of 2p each	761	15

8. Share premium account

	As at 30 June 2013 £000	As at 30 June 2012 £000
At beginning of the period	3,822	3,449
Premium on issue of shares	140	37
At end of the period	3,962	3,486



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

	Six months ended 30 June 2013 £000	Six months ended 30 June 2012 £000
Operating profit	1,706	1,400
Amortisation of development costs	93	70
Amortisation of goodwill	9	9
Depreciation charge	50	40
Exchange differences	(15)	(17)
Share-based payment expense	8	20
Movement in debtors	(254)	574
Movement in stock	(2,069)	549
Movement in creditors	(989)	(2,339)
Net cash(outflow) / inflow from operating activities	(1,461)	306

10. Analysis of net cash

	At beginning of period £000	Cash flows £000	At end of period £000
Cash at bank and in hand	6,226	(2,360)	3,866

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