

# **Sprue Aegis plc Final Results for the Year Ended 31 December 2009**

**Sprue Aegis plc** ("Sprue Aegis" or "the Group"; PLUS-quoted: SPRP), the designer and marketer of the FireAngel range of innovative safety products, announces its results for the financial year ended 31 December 2009.

## Results in Brief:

Year to 31 December (£ million)	2009	2008	% chg y-on-y
Turnover	<b>14.4</b>	9.4	+53%
Operating profit <sup>1</sup>	<b>2.3</b>	1.6	+44%
Profit before tax (per statutory results)	<b>1.9</b>	1.6	+19%
Cash	<b>2.7</b>	1.6	+69%
Free cash flow <sup>2</sup>	<b>1.2</b>	0.6	+100%
Adjusted basic earnings per share <sup>3</sup>	<b>5.23p</b>	3.42p	+53%
Earnings per share (Basic EPS per statutory results)	<b>4.67p</b>	3.42p	+37%

<sup>1</sup> Operating profit is stated before exceptional items

<sup>2</sup> Free cash flow is cash generated from operations less tax, net interest, development costs and capital expenditure

<sup>3</sup> Basic earnings per share are adjusted to exclude the after tax impact of exceptional items

## Operational highlights:

- Revenue growth driven by expansion of customer base, particularly in the social housing and utility sectors
- Continued focus on product development, accelerated the introduction of new and technically enhanced products
- Acquisition of the remaining 66% of Pace Sensors in Canada brings proprietary CO sensor technology into the Group
- Increased economies of scale and value engineering efforts have enhanced price competitiveness even further
- Move to larger premises accommodated increase in headcount to 29 and provides scope for further expansion
- Post year end, Sprue Aegis' appointment as the exclusive European distributor for BRK Brands Europe Limited provides significantly enhanced growth opportunities in both the UK and Continental Europe
- Proposed payment of a maiden final dividend of 0.5 pence per share in respect of financial year 2009

## Graham Whitworth, Chairman & CEO of Sprue Aegis plc, commented:



"Despite the challenging UK economic backdrop, it is immensely satisfying that Sprue Aegis progressed as planned and has produced another solid set of results, demonstrating significant growth in revenue and operating profit in 2009."

"As announced in April 2010, the appointment of Sprue Aegis as the exclusive distributor for BRK Brands Europe provides an enhanced platform for growth in the UK and Europe and brings the established brands of BRK®, Dicon® and First Alert® into the Group. I am confident that our broader European market position, coupled with our strong product innovation and customer base, will provide significant growth opportunities and enhance shareholder value."

### Notes to Editors About Sprue Aegis

Based in Coventry, UK, Sprue Aegis designs, manufactures and distributes innovative home safety products, notably smoke, carbon monoxide detectors and wireless safety accessories under the FireAngel brand. Since launching in 2001, FireAngel has developed a prominent UK retail footprint and has become the leading approved supplier of smoke alarms to the UK's Fire Brigades via the "FireBuy" National procurement framework. Other distribution channels include social housing, electrical distributors, utility providers and the leisure industry. Sprue Aegis owns European and US patented technology and the Group's existing range of battery operated

smoke and carbon monoxide detectors are certified to the latest European standards. For further product information, please visit [www.fireangel.co.uk](http://www.fireangel.co.uk).

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**Now over 90% of the UK's Fire Brigades regularly source our products, making FireAngel their "brand of choice".**

Additionally, BRK has a strong presence in the UK trade sector, especially with new build and contractor mains-powered products, an area where FireAngel has been developing its presence.

Sprue Aegis has an ongoing obligation to pay £4.16 million per annum for the distribution rights for the BRK products over a rolling five year term of the agreement and we expect the arrangement to be earnings enhancing for the Group in 2010 with the potential to build sustainable growth in the future.

The Group has also entered into discussions with BRK's parent company in the US to evaluate the potential of BRK Incorporated distributing selected FireAngel products in the Americas. We will update shareholders later this year pending the outcome of this review.

#### **Pace Sensors**

On December 1st 2009, Sprue Aegis announced the strategic acquisition of the remaining 66% of Pace Sensors Limited, a carbon monoxide ("CO") sensor manufacturer based near Toronto, Canada, for a net consideration of £0.2 million. This, combined with a longer term agreement with Pace Technology to manufacture CO detectors in China, will provide us with a more secure CO supply chain and strengthen our position as a leading global player in the development and production of domestic CO alarms. The acquisition

## **Chairman's Statement**

**Graham Whitworth**  
Chairman and CEO, Sprue Aegis plc

#### **Introduction**

2009 was an extremely busy and pivotal year in the development of Sprue Aegis and I am delighted to update shareholders on our progress.

These results provide further evidence that our products are highly regarded by all customers – FireAngel is now the supplier of choice to over 90% of the UK's Fire and Rescue Services and we have a strong and growing presence with retail and utility companies. The results are also an endorsement of our strategy to broaden our customer base whilst continually developing and providing innovative and technology-led products to position the Group as a leading supplier of domestic fire and safety related products in Europe.

#### **Exclusive European Distribution Agreement with BRK Brands Europe Limited**

Our appointment, announced to the market on 7 April 2010, as the exclusive distributor for BRK Brands Europe Limited ("BRK") to distribute, alongside our own FireAngel products, BRK's entire range of fire, smoke and related safety products and safes, sold under the BRK®, Dicon® and First Alert® brands, cements our position as Europe's leading supplier to the fire and home safety market and provides the Group with an excellent platform for growth.

The distribution agreement broadens our UK customer base, adding new retail accounts including Wickes, Focus, Costco and Robert Dyas.



also provides us with proprietary CO sensor technology and brings CO sensor manufacture entirely in-house.

Engineering and design improvements to reduce the costs of the sensors are already well underway and we expect these benefits to begin to accrue in the second half of 2010. Pace Sensors generated sales of around £0.1 million in December 2009 and its contribution to Group profits in the period was negligible.

#### Dupont Settlement

I am also pleased to report that the Group reached agreement over the royalty dispute with DuPont, paying £266,000 (US\$425,000) to finally bring this matter to a close. The Group is now free to sell its products in North America if it chooses to do so.

#### Financial Overview

Group turnover increased by £5.0 million to £14.4 million (2008: £9.4 million) due to our increased penetration of non-retail markets, particularly in the utility and social housing sectors. Our success with the Fire & Rescue Services ("FRS") continued; now over 90% of the UK's Fire Brigades regularly source our products, making FireAngel their "brand of choice".

The gross margin reduced to 37.5% (2008: 42.8%), primarily as a result of the decline in the value of Sterling against the US Dollar. The average Sterling/USD exchange rate in 2009 was 1.57 compared with 1.86 in 2008.

The Group remains committed to its product development programme and in total amortised and expensed £0.4 million (2008: £0.3 million) of development costs in the year with additional new products and variants being launched throughout 2010.

## I am delighted to announce that the Board has approved the proposed payment of a final dividend in respect of financial year 2009 of 0.5 pence per share.

Cash increased from £1.6 million to £2.7 million at the end of 2009 and the Group continues to carefully monitor its working capital requirements to ensure it maximises operational cash flow whilst at the same time ensuring trade creditors are paid within agreed terms.

Group borrowings at the end of 2009 amounted to £1.0 million in total, represented by a £0.5 million loan note repayable in December 2010 and a further £0.5 million loan note repayable in 2013.

The Group closed the year with distributable reserves of £0.9 million and the Board is pleased to announce the proposed payment of a maiden dividend of 0.5 pence per share.

#### Operational Review

We continue to progress our strategy of diversifying our customer base and to operate in a broad range of sectors where non-discretionary expenditure is less prone to public sector cuts. Indeed budgetary pressures are likely to further encourage potential local authority and social housing customers to consider more innovative, price competitive offerings such as those of FireAngel to meet their duty of care obligations.

We continue to liaise closely with the FRS to help educate local authorities and landlords to the benefits of fitting smoke and CO alarms



purchased through the national "FireBuy" scheme. The role of the FRS is changing with an increasing emphasis on fire prevention through community initiatives and education, often with the involvement of other support agencies and organisations. In the five years since the Government awarded £36 million of grants for fire safety, the FRS have conducted nearly 2 million Home Fire Risk Safety Checks and installed over 2.4 million new smoke alarms.

Despite the recession, our UK retail sales have remained buoyant throughout the year. This is partly because our products are considered an "essential purchase" for many households, and partly as result of increased awareness from the retailers embracing national safety initiatives, such as the CO campaigns from both COCAA and the Gas Safe Register. However, retail buying patterns were erratic at times as retailers sought to de-stock to conserve their cash flow.

I am delighted to report that B&Q and Tesco were early adopters of our 9-series range of CO alarms

which are selling well. This range of products was developed internally and incorporates Pace Sensor's patented electrochemical cell sensor technology to provide accurate measurement of CO, as well as sealed 7-year life battery variants.

Building on contract wins with EON and EDF, we are seeing increasing demand from the utilities' sector, where FireAngel is engaging in joint product promotions. Importantly, in terms of future sales volumes, a number of leading energy providers are now offering to install FireAngel CO alarms as part of their installation and annual maintenance programmes. FireAngel is also gaining strong momentum within the wholesale sector, working closely with the likes of Wolseley and PTS as fulfilment partners for our social housing and energy sector customers.

### Board Changes

In December 2009, Jan Kreminski stepped down as a non-executive director of Sprue Aegis to pursue his other commercial interests. The Board would like to thank Jan for his contribution and his international business perspectives have been particularly insightful.

In early 2010, John Gahan joined Sprue Aegis as a full-time Group Finance Director and was subsequently appointed to the Board on 1st April 2010. John, a Fellow of the Institute of Chartered Accountants of England and Wales, spent ten years with KPMG, followed by six years at GKN plc in senior corporate finance, financial and operational roles. As a result, William Payne, Sprue Aegis' former part-time finance director, has assumed the

role of a non-executive director, providing invaluable experience and continuity.

In addition to his business development role for the Group, John Walsh has assumed the position of President of Pace Sensors. He led both the formation of the initial joint venture in 2008 and the subsequent acquisition of the outstanding equity in Pace Sensors. Going forward, John, who holds dual UK and Canadian citizenships, will be responsible for the integration and expansion of Pace Sensors within the Group.

### Proposed final dividend for financial year 2009

I am delighted to announce that the Board has approved the proposed payment of a final dividend in respect of financial year 2009 of 0.5 pence per share. The proposed cost to the company amounts to £0.17 million and, if approved by shareholders at the forthcoming AGM on 27 May 2010, the ex-dividend date and associated record date would be 9 June and 11 June 2010 respectively and would be paid to shareholders by 23 July 2010, being 30 business days of the record date.

### Outlook

For the second year running, Sprue Aegis appeared in The Sunday Times "Fast Track 100" rankings in 2009 and I continue to be genuinely excited about Sprue Aegis' prospects for the future.

My thanks go to all of our staff who have embraced our move to new, larger premises and ensured that the move was achieved with minimal disruption to the business. I



would also like to welcome our new colleagues who joined the Group from BRK in April 2010. We share similar values and cultures and I am sure that we will collectively enjoy making the most of the opportunities ahead as we look to establish Sprue Aegis as Europe's leading safety products supplier.

To our shareholders, I emphasise that the agreement with BRK is expected to be earnings accretive and Sprue Aegis remains well placed to deliver sustainable long-term growth. We continue to focus on driving shareholder value and maximizing free cash flow. With an extremely busy start to 2010 combined with a strong quarter one operating performance, 2010 looks set to be another interesting year for the Group.

I am encouraged by the integration of the BRK Europe brands, alongside the FireAngel brand and look forward to capitalising on Sprue Aegis' undoubted potential in the future.

**GRA Whitworth**  
**27 April 2010**

**Chairman & CEO**  
**Sprue Aegis plc**

# Consolidated Profit & Loss Account

	Note	Year ended 31 December 2009 £'000	Year ended 31 December 2008 £'000
<b>Turnover</b>	2	<b>14,356</b>	9,368
Cost of sales		<b>(8,972)</b>	(5,358)
<b>Gross profit</b>		<b>5,384</b>	4,010
Distribution costs		<b>(223)</b>	(155)
Research and development		<b>(423)</b>	(342)
Administrative expenses before exceptional item		<b>(2,454)</b>	(1,946)
Exceptional item – DuPont settlement	3	<b>(266)</b>	-
Goodwill amortisation		<b>(17)</b>	(17)
<b>Operating profit</b>		<b>2,001</b>	1,550
Interest receivable and similar income		<b>3</b>	33
Interest payable and similar charges	4	<b>(91)</b>	(6)
<b>Profit on ordinary activities before taxation</b>		<b>1,913</b>	1,577
Tax on profit on ordinary activities	5	<b>(338)</b>	(493)
<b>Profit for the period</b>		<b>1,575</b>	1,084
<b>Earnings per share</b>	6		
Basic		<b>4.67</b>	3.42
Diluted		<b>4.49</b>	3.36

## Continuing Operations

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

# Consolidated Balance Sheet

	At 31 December 2009 £'000	At 31 December 2008 £'000
<b>Fixed Assets</b>		
Intangible assets	776	552
Tangible assets	45	45
Investments	-	9
	<b>821</b>	<b>606</b>
<b>Current Assets</b>		
Stocks	1,391	1,068
Debtors	3,712	2,651
Cash at bank and in hand	2,705	1,635
	<b>7,808</b>	<b>5,354</b>
<b>Creditors: Amounts falling due within one year</b>	<b>(3,435)</b>	<b>(1,935)</b>
<b>Net current assets</b>	<b>4,373</b>	<b>3,419</b>
<b>Total assets less current liabilities</b>	<b>5,194</b>	<b>4,025</b>
<b>Creditors: Amounts falling due after more than one year</b>	<b>(488)</b>	<b>(953)</b>
<b>Net assets</b>	<b>4,706</b>	<b>3,072</b>
<b>Capital and reserves</b>		
Called up share capital	674	674
Share premium account	3,175	3,175
Accumulated deficit	857	(777)
<b>Equity shareholders' funds</b>	<b>4,706</b>	<b>3,072</b>

# Consolidated Cash Flow Statement

		Year ended 31 December 2009	Year ended 31 December 2008
	Note	£'000	£'000
<b>Net cash inflow from operating activities</b>	7	<b>1,795</b>	920
Return on investment and servicing of finance		(88)	27
Taxation		(188)	-
Capital expenditure and financial investment		(291)	(357)
Acquisitions		(154)	-
<b>Cash inflow before use of liquid resources and financing</b>		<b>1,074</b>	590
Financing		-	(5)
<b>Increase in cash during the year</b>		<b>1,074</b>	585
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase in cash during the year		<b>1,074</b>	585
Cash outflow from decrease in debt		-	5
Non cash movement in loan and unamortised issue costs		(10)	979
Change in net debt resulting from cash flows		<b>1,064</b>	1,569
Translation difference		(4)	-
<b>Movement in net funds in the year</b>		<b>1,060</b>	1,569
Net funds at beginning of year	8	<b>682</b>	(887)
<b>Net funds at end of year</b>		<b>1,742</b>	682

# Notes to the Financial Statements

## 1. Basis of preparation

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

The Group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 31st December 2009. The results of subsidiaries acquired are consolidated for the period from the date on which control passed.

These financial statements include the results of Pace Sensors Limited for the period from 30th November 2009. The income and expenses for the month of December 2009 were not material to the Group so have not been separately disclosed in the profit and loss account.

## 2. Turnover

The turnover, result and net assets are wholly derived from the Group's principal activity. An analysis of turnover by geographical market for the years ended 31 December 2009 and 31 December 2008 is given below:

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
United Kingdom and Eire	14,288	9,356
Others	68	12
<b>Total</b>	<b>14,356</b>	<b>9,368</b>

## 3. DuPont settlement

In December 2004 the company entered into a License and Distribution agreement with E I du Pont de Nemours and Company ("DuPont") for the sale of the company's products under the DuPont brand in North America. Through 2005 and early 2006 the company received Advance Royalty payments of \$1.4 million to cover costs incurred during the period specific to product development and support of the North American market. The advanced royalties were to be deducted from earned royalties resulting from DuPont's sales of Sprue

Aegis' products. In the event DuPont made few sales in the North American market, and subsequently demanded the repayment of the Advance Royalty. No provision was made for 2008 as the company strongly maintained that it had no obligation in this regard for any such repayment. Through mediation proceedings during 2009, Sprue Aegis and DuPont resolved this dispute and the company agreed to repay £265,625 to DuPont as final settlement.

## 4. Interest payable and similar charges

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
Interest on other loans/other interest	91	125
Interest released on conversion of unsecured loan notes	-	(119)
<b>Total</b>	<b>91</b>	<b>6</b>

## 5. Taxation - analysis of charge in year

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
Current tax:		
Corporation tax charge for the period	388	193
Adjustment in respect of prior periods	(50)	-
Total current tax charge	338	193
Release of deferred tax asset	-	300
<b>Tax on profit/(loss) on ordinary activities</b>	<b>338</b>	<b>493</b>

## 6. Earnings per share

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
Profit attributable to shareholders being profit after taxation	1,575	1,084
Weighted average number of shares in issue for basic calculation ('000)	33,719	31,703
Deemed issue of potentially dilutive shares ('000)	1,381	546
Weighted average number of shares in issue for diluted calculation ('000)	35,100	32,249
<b>Earnings per share (p)</b>		
- basic	4.67	3.42
- diluted	4.49	3.36

## 7. Reconciliation of operating profit to operating cash flows

	Year to 31 December 2009	Year to 31 December 2008
	£'000	£'000
Operating profit	2,001	1,549
Amortisation	239	186
Depreciation charges	16	17
Exchange differences	(197)	(48)
Share based payment expense	35	21
Movement in debtors	(1,061)	(900)
Movement in stock	(323)	126
Movement in creditors	1,085	(31)
Net cash inflow from operating activities	1,795	920

8. Analysis of net debt	At beginning of year £'000	Cash flows £'000	Non-cash movements £'000	Exchange difference £'000	At end of year £'000
Cash at bank and in hand	1,635	1,074	-	(4)	2,705
Debt due within one year	-	(475)			(475)
Debt due after one year	(953)	475	(10)		(488)
	682	1,074	(10)	(4)	1,742

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

## 9. Post Balance Sheet Event

On 7 April 2010, the company entered into an exclusive distribution agreement ("Distribution Agreement") with BRK Brands Europe Limited ("BRK") to distribute BRK's entire range of fire, smoke and related safety products and safes, sold under the BRK®, Dicon® and First Alert® brands, alongside the company's FireAngel® brand in Europe.

The Distribution Agreement is for a minimum period of five years and provides that Sprue Aegis will pay BRK a fixed distribution fee of £4.16m per annum, payable quarterly in arrears.

The Distribution Agreement will continue indefinitely for successive periods of five years, unless terminated by either party on 12 months' notice expiring at the end of a 5 year term.

From 7 April 2010, BRK's employees transferred, creating an enlarged Group of over 50 employees spread over two sites at the FireAngel head office in Coventry and BRK's head office in Gloucester.

As part of the arrangements, Sprue Aegis has also entered into other agreements with BRK which provide that Sprue Aegis will acquire the existing BRK inventory and BRK will retain its fixed assets which will be leased to Sprue Aegis during the term of the Distribution Agreement. Sprue Aegis and BRK will provide each other with certain transitional services.

## 10. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 423 of the Companies Act 2006.

The summarised balance sheet at 31 December 2009 and the summarised profit and loss account for the year then ended have been extracted from the Group's audited 2009 statutory financial statements. The Group's auditors have agreed to the release of this announcement.

The accounts for the year ended 31 December 2009 will be posted to shareholders in due course and will be delivered to the Companies Registrar after they have been laid before the company at the next annual general meeting. Copies will also be available from Sprue Aegis plc's head office: Vanguard Centre, Sir William Lyons Road, Coventry, CV4 7EZ, or via the websites ([www.sprueaegis.com](http://www.sprueaegis.com)) or ([www.fireangel.co.uk](http://www.fireangel.co.uk)).



# NOTES

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