

Sprue Aegis plc Interim Results for the Six Months Ended 30th June 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 six month period ended 30 June 2009.

Financial Highlights

Turnover increased by **52% to £6,272,385** (2008: £ 4,130,500)

Operating profit increased by **47% to £ 916,913** (2008:£ 625,385)

Pre-tax profits increased by **27% to £ 872,835** (2008:£ 684,975)

Earnings per share of **1.19p** (2008: 1.18p)

Cash balances at period end of **£1,869,763** (2008: £ 1,478,569)

Operational highlights:

- Further competitive wins across all key sectors, including Merseyside Fire and Rescue Service
- Successful launch of all new FireAngel-designed carbon monoxide detector range, incorporating proprietary IP
- Increasing penetration of utility and social housing sectors
- Entering new territories, including Middle East, France and Italy
- Strengthened sales, engineering and customer support teams and improved internal processes
- CO-828 digital CO detector voted by the Good Housekeeping Institute as the best carbon monoxide detector available in the retail market

**Commenting on these results, Graham Whitworth,
Chairman & CEO of Sprue Aegis plc, said:**

"Within the current economic climate, this represents an excellent performance from Sprue Aegis and the culmination of ongoing customer-focused product development and targeted marketing. Going forward, we have set ourselves challenging growth targets which, given current trends and the structure of the business, appear eminently achievable in what is proving to be a robust and growing health and safety sector business."



**Notes to Editors
About Sprue Aegis**

Based in Coventry, UK, Sprue Aegis designs, manufactures and distributes innovative home safety products, notably smoke and carbon monoxide detectors, under the FireAngel brand. Since launching in 1998, FireAngel has developed a leading UK retail footprint and has become an approved supplier of smoke alarms to over 80% of the UK's population via the Fire Brigade's "Firebuy" tendering scheme. Other distribution channels include social housing, electrical distributors and the leisure industry. Sprue Aegis owns European and US patented technology and the company's range of battery operated smoke and carbon monoxide alarms are certified to the latest European standards. For further product information, please visit www.fireangel.co.uk.

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Chairman's Statement

Graham Whitworth
Chairman and CEO, Sprue Aegis plc

I am delighted to report that, despite the global recession, the underlying business continues to perform well, with both turnover and profitability in the first half of 2009 emerging ahead of the corresponding period in the prior year and also our internal budgets. We are witnessing continued growth within the Fire Brigade, Trade and Social Housing sectors, whilst retail sales have held up well. To ensure that we continue to build on this success, we remain firmly focused on product design and development, as well as exploring new sectors and markets, which, the Board believes, bodes well for the Group's performance for the remainder of 2009.

To support the rapid organic growth of the business, Sprue Aegis has had to strengthen its infrastructure and processes. This has resulted in the recruitment of additional staff in the sales, engineering and customer service teams, bringing the headcount to 25. The accounting functions have been brought in-house and we are in the process of implementing an enterprise IT system. Having been based at Coventry's TechnoCentre for eight years, we will be moving to new, larger premises, more appropriate for our future needs, at the University of Warwick business park this autumn.

The uncertain economic environment has led us to focus even more on cost control, with much of our discretionary expenditure for the period coming in under budget. The rise in administrative costs compared to the first half of 2008 is relatively modest, particularly in view of the significant increase in activity levels overall. The increased R&D expenditure reflects continued investment in both our existing and new product range to ensure that we not only maintain but also enhance our competitive market position.

The balance sheet continues to strengthen, with net current assets increasing by more than £1 million in comparison to the prior period. Additionally, the historic accumulated deficit in terms of distributable reserves



“Continued growth within the Fire Brigade, Trade and Social Housing sectors”

Financial Overview

Sprue Aegis has made significant progress in comparison to the prior year period, registering a 27% rise in pre-tax profits on revenues that increased by 52%. The recent weakness of Sterling relative to the US Dollar (average GBP/USD rate of 1.49 versus 1.98 in the first half of 2008) has translated into higher production costs for the Group although our foreign exchange hedging strategy has helped to mitigate some of these pressures. Additionally we are achieving significant cost efficiencies through design engineering across our product ranges and improving economies of scale as manufacturing volumes increase.





“Our CO-828 digital CO detector was voted by Good Housekeeping Institute as the best carbon monoxide detector available in the retail market”

is now nearly removed, affording the Group greater flexibility with respect to future capital and potential dividend planning. Available cash balances are more than sufficient to prepay the £475,000 of long-term debt outstanding, due in December 2010, should the Group choose so to do.

As explained in more detail in Note 6, non-binding mediation proceedings are currently in progress between Sprue Aegis and E I du Pont de Nemours with regard to an historic Advance Royalty payment. These negotiations are expected to be concluded before the end of the current financial year. Although not yet certain, we anticipate that a full and final settlement will be reached at a potential cost to the Group in the region of USD 450,000 which would be taken as an exceptional charge in the second half. Nevertheless, we still expect to deliver a very strong performance for 2009 as a whole.

Business Overview

Our strategy of building a more diverse customer base continues to make significant progress, reducing our dependency of any one business stream. Combined with our customer-focused approach, this has translated into increasing traction within each of our target markets. In the period under review, we gained a number of new contract wins, including Merseyside and South Yorkshire Fire & Rescue Services, and further expanded our trade customer base. Discrete purchasing patterns are emerging, which assists in our own inventory

management as well as increasing the visibility of forward sales.

The Fire & Rescue Services are highly influential in terms of publicising safety issues and promoting best practice, not just in the home but also within the social housing and new build sectors. Our responsiveness in developing solutions to meet their specific needs is translating into increasing brand loyalty. For example, the development of our Wi-Safe range, adapted to meet the needs of the hearing impaired, has proved influential in FireAngel gaining wider industry acceptance, with over 60% of UK Fire Brigades now using Wi-Safe products. FireAngel is looking to strengthen these relationships by providing the Brigades with marketing support, from traditional information packs to multi-lingual DVDs and industry sponsorship. We are also liaising closely with the Fire Services to alert eligible local authorities and landlords to the cost and efficiency benefits of purchasing smoke and carbon monoxide (“CO”) detectors via the FireBuy scheme.

We are now finalising the complete redesign of the FireAngel range of CO detectors, launching two new models so far this year, both of which are fully certified to the latest European standards and carry the



British Standards “Kitemark”. Our new CO-9X detector incorporates a sealed battery for its 7-year life and is designed specifically to meet the growing needs of energy providers and the social housing sector and has already been selected by a number of housing associations for their installation programmes.

Building on our recent contract win with E.ON, we are seeing increasing demand from the utilities sector, where FireAngel is increasingly becoming the supplier of choice for many web shops, including those of EdF and Scotia Gas Networks, as well as engaging in joint product promotions. More importantly in terms of future sales volumes, the likes of Scottish and Southern Energy and Baxi are now offering to install FireAngel carbon monoxide detectors as part of their installation and annual maintenance programmes. Via trade shows and targeted mail shots, we are generating greater awareness of

our products amongst installation and maintenance engineers.

Whilst the strongest growth has been from our non-retail business, consumer demand for FireAngel products remains robust. This continues to be driven by an increase in brand awareness and agreed promotional programmes with our retail customers during the second half of 2009, which is typically our strongest trading period as planned national awareness initiatives begin. Our current CO-828 digital CO detector recently was voted by the Good Housekeeping Institute as the best carbon monoxide detector available in the retail market. The UK retailers are increasingly adopting "just in time" stock control practices, which inevitably tests the rigour of our supply chain management, but their more aggressive promotional activity enables us to highlight FireAngel's attractive design features at the point of sale. The fact that both B&Q and Tesco proved to be early adopters of the CO-9X CO detector reflects the ongoing strength of our commercial relationships.

FireAngel continues to work very closely with trade associations to raise awareness of fire and CO safety issues. Our in-house marketing team is now gearing up for this autumn's national safety campaigns. This year's "Fire Kills" initiative will be a £2m-plus multi-media campaign, running from October until the end of next March, which will emphasise the importance of having working smoke alarms in the home.

Despite high profile CO-related fatalities in the media, still only 25% of UK homes have installed a carbon monoxide detector. Hence, this continues to be a sector with strong growth potential for FireAngel and we are cooperating closely with key influencers to publicise the need for audible CO alarms. For example, we will be running promotional activities in conjunction with our retail and wholesale distribution partners to coincide with this autumn's prominent media campaigns for both the 'Gas Safe Register' and 'COCAA'.

The recent upgrade of the FireAngel website (www.FireAngel.co.uk), with its emphasis on providing tailored information for both consumers and our trade partners, is generating significantly higher web traffic, as well as enquiries from potential customers and partners overseas. We have recently entered into a private label supply relationship with Zeta Alarms, an established distributor of fire safety equipment in the Middle East, whose territories include Saudi Arabia and the UAE amongst many others. Sprue Aegis is also working with distribution partners in France and Italy.

Outlook

We feel that we have now established a strong platform for growth. The business is highly scalable and we are generating considerable momentum across each of our key sectors in the UK. Increasing levels of volume repeat business from the Fire Services and energy providers in particular, provide greater predictability in terms



of future revenues and we anticipate a strong performance in the second half of 2009. Opportunities are opening up in new territories, although we remain highly selective with regard to potential channel partners. We continue to innovate and are developing a new technology platform with considerable worldwide potential which we expect to launch in 2010. The Group's financial situation is strong, both in terms of profitability and cash generation. Although, within the context of UK small quoted companies generally, the recent share price performance has been satisfactory, the Board believes that the current valuation does not fully reflect Sprue Aegis' achievements to date, nor its longer term potential.

Graham R A Whitworth
29th September 2009

Chairman & CEO
Sprue Aegis plc

Unaudited Consolidated Profit & Loss Account

For The Six Months Ended 30 June 2009

	Six months ended 30th June 2009	Six months ended 30th June 2008	Note
	£	£	
Turnover	6,272,385	4,130,500	
Cost of sales	(4,000,234)	(2,324,468)	
Gross profit	2,272,151	1,806,032	
Distribution costs	(101,419)	(66,155)	
Research and development	(175,637)	(140,480)	
Administrative expenses	(1,069,536)	(965,366)	
Other operating income	-	-	
Goodwill amortisation	(8,646)	(8,646)	
Operating profit	916,913	625,385	
Interest receivable and similar income	2,099	18,967	
Interest payable and similar charges	(46,177)	40,623	3
Profit on ordinary activities before taxation	872,835	684,975	
Tax charge	(240,000)	(150,000)	4
Profit for the period	632,835	534,975	
Earnings per share			5
Basic	0.0188	0.0181	
Diluted	0.0186	0.0176	

Continuing Operations

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

Unaudited Consolidated Balance Sheet

At 30th June 2009

	Six months ended 30 June 2009	Six months ended 30 June 2008
	£	£

Fixed Assets

Intangible assets	572,714	490,322
Tangible assets	47,089	41,756
Investments	8,344	-
	628,147	532,078

Current Assets

Stocks	1,620,083	1,293,536
Debtors	2,596,673	2,274,834
Cash at bank and in hand	1,869,763	1,478,569
	6,086,519	5,046,939

Creditors: Amounts falling due within one year	(2,004,830)	(2,050,985)
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Net current assets	4,081,689	2,995,954
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Total assets less current liabilities	4,709,836	3,528,032
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Creditors: Amounts falling due after more than one year	(975,000)	(975,000)
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Net assets	3,734,836	2,553,032
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Capital and reserves

Called up share capital	674,389	674,389
Share premium account	3,174,849	3,174,849
Accumulated deficit	(114,402)	(1,296,206)

Equity shareholders' funds	3,734,836	2,553,032
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Notes to the Financial Statements

1. Basis of preparation

The financial information contained in this announcement has not been reviewed by Sprue Aegis' auditors. 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 30 June 2009. The results of subsidiaries acquired are consolidated for the period from the date on which control passed.

2. Turnover

An analysis of turnover by geographical market for the six months ended 30 June 2009 and 30 June 2008 is given below:

	Six months to 30th June 2009	Six months to 30th June 2008
	£	£
United Kingdom and Eire	6,272,385	4,130,500
North America	-	-
Others	-	-
Total	6,272,385	4,130,500

3. Interest payable and similar charges

	Six months to 30th June 2009	Six months to 30th June 2008
	£	£
Interest on other loans	(46,177)	(78,028)
Other interest	-	(581)
Interest released on conversion of unsecured loan notes	-	119,232
Total	(46,177)	40,623

4. Taxation

Analysis of charge/(credit) in year

	Six months to 30th June 2009	Six months to 30th June 2008
	£	£
Current tax:		
Corporation tax charge for the period	(240,000)	-
Total current tax charge	(240,000)	-
Release of deferred tax asset	-	(150,000)
Tax on profit/(loss) on ordinary activities	(240,000)	(150,000)

5. Earnings per share

	Six months to 30th June 2009	Six months to 30th June 2008
	£	£
Profit attributable to shareholders being profit after taxation	632,835	534,975
Weighted average number of shares in issue for basic calculation	33,719,472	29,574,363
Deemed issue of potentially dilutive shares	391,365	845,558
Weighted average number of shares in issue for diluted calculation	34,110,837	30,419,921
Earnings per share		
- basic	0.0188	0.0181
- diluted	0.0186	0.0176

6. Contingent Liability

In December 2004 Sprue Aegis entered into a License and Distribution agreement with E I du Pont de Nemours and Company ("DuPont") for the sale of the Group's products under the DuPont brand in North America. Through 2005 and early 2006, the Group received Advance Royalty payments of USD 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 have demanded the repayment of the Advance Royalty.

Sprue Aegis and DuPont agreed to undergo non-binding mediation proceedings, which are now underway and expected to be concluded before the year end.

Although not yet finalised, it is likely that a compromise agreement providing for a full and final settlement will be reached via the mediation process, at a potential cost to the company in region of USD 450,000. In the event an agreement is reached, it is expected that such amount would be taken as an exceptional charge in the second half.

FireAngel[®]



A division of
Sprue Aegis plc

Sprue Aegis plc Final Results for the Year Ended 31 December 2008