



SPRUE AEGIS

Sprue Aegis plc

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Sprue Aegis plc ("Sprue" or "the Group"; PLUS-quoted: SPRP), Europe's leading safety product supplier and owner of the FireAngel brand and exclusive European distributor of the First Alert, BRK and Dicon brands, announces its unaudited Interim Results for the six month period ended 30 June 2011 ("HY1 2011").

Financial highlights

- Turnover increased 44% to £17.1m (HY1 2010: £11.9m)
- Underlying gross margin¹ increased from 39.6% in HY1 2010 to 44.4% in HY1 2011
- Underlying operating profit² increased 28% to £1.5m (HY1 2010: £1.2m)
- Basic earnings per share increased 8% to 2.66p per share (HY1 2010: 2.46p)
- Since the year end, net cash decreased by £0.4m to £4.1m following the normalisation of working capital post the integration of the BRK Brands Europe Ltd ("BRK") business

Notes:

1 Before inclusion of £2.0m BRK distribution fee (HY1 2010: £0.7m)

2 Before inclusion of £0.1m in relation to an exceptional bad debt (HY1 2010: £nil)

Operational highlights

- Despite tough economic conditions, sales through all channels are performing well and in line with expectation
- Continued investment in research and development, patents and product certification to expand and protect the product range with exciting new products due for release late 2011 and throughout 2012
- Appointment of second distributor in France, Mapa Spontex to concentrate on the retail sector continues to drive revenue in France
- Sprue's Pace Sensors business in Canada is miniaturising our carbon monoxide ("CO") sensor for inclusion in CO detectors and reinforces our position as a world leader in CO sensing technology
- Integration of the BRK business now largely complete
- Development of stronger brand identities with First Alert and FireAngel established as leading retail brands across Europe and BRK established as a trade brand in the UK

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

"We are pleased with our progress across the business developing closer ties with our UK customers and Continental European distributors. The introduction of safety legislation continues to drive revenue growth and this trend is likely to continue as awareness of the danger of fire and CO increases."



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Notes to Editors

About Sprue Aegis plc

With its head office in Coventry, UK, Sprue is Europe's leading home safety products supplier and designs and distributes smoke alarms and carbon monoxide detectors including other safety related products throughout Europe under the FireAngel, First Alert, BRK and Dicon brands. Sprue enjoys a leading UK retail footprint, is the supplier of choice to the UK's Fire and Rescue Services and continues to develop its market share in the UK trade sector and in Continental Europe through its network of independent distributors. At its wholly owned subsidiary in Canada, Sprue has developed one of the world's smallest CO sensors for use in CO detectors. Sprue has patented technology in Europe, the US and other selected territories and its range of smoke and CO alarms is independently certified to the latest European standards. For further product information, please visit: www.fireangel.co.uk or www.firstalert.eu or www.brkdicon.eu/en or www.sprue.com



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MANAGEMENT COMMENTARY

Introduction

We remain focused on building long term, defensible shareholder value by enhancing our competitive position through the expansion of our product range and intellectual property. Our focus is clear: to position the Group to capitalize on the significant market opportunities in each of the markets we serve. Our overall objective remains to become the market leader in each of our major markets.

Our inclusion in the Sunday Times 2010 “100 Fast Track” – the 100 fastest growing companies in the UK – for the third year running is continued strong evidence of our progress.

Financial review

Group HY1 2011 revenue increased by £5.2m or 44% to £17.1m (HY1 2010: £11.9m). With the inclusion of BRK sales in quarter 1 2010, growth in underlying revenue was still 10% in the first six months of 2011 on a like for like basis.

Before the inclusion of a £0.1m bad debt charge for Focus DIY which went into administration in May this year, operating profit increased 28% to £1.5m (HY1 2010: £1.2m). In the context of uncertain continuing political and economical environments which have slightly held up revenue growth, this operating profit growth represents solid progress in challenging times.

Our ability to re-engineer products to mitigate material and labour cost increases in the Far East, together with greater purchasing economies of scale and some benefit from favourable foreign exchange rates improved gross margin by 4.8% before the inclusion of BRK distribution fee.

The inclusion of the BRK overheads in the first quarter of this year, together with a number of new hires across the business accounted for most of the £0.9m increase in administration costs to £3.5m.

Net cash reduced slightly from year end by £0.4m to £4.1m compared to 2010 HY1 as the working capital benefit from the BRK transaction reversed as indicated in 2010 results commentary. The balance sheet remains strong with significant cash resources available to the Group.

2011 is a key year for investment in product development and strengthening the infrastructure of the business to support future revenue and profit growth. Consequently, the reported operating margin has declined slightly from 9.8% HY1 2010 to 8.2% in HY1 2011 (8.7% before the bad debt charge for Focus DIY). However, we expect the business to exit 2011 with a broader product range, a strengthened infrastructure and an enhanced competitive position to continue to drive profitable growth.



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Market update

Our appointment as BRK's exclusive distributor for Europe has significantly extended our reach and range of products and customers providing revenue and cost synergies across the Group. In May this year, FireAngel product was certified for sale in Germany with "VdS accreditation" (German regulatory body approval) secured on the ST-620, our ground breaking Thermoptek technology smoke alarm.

Integration of BRK Brands Europe Limited

We have completed the major organisational elements of the integration of the BRK business into Sprue. We have refined and in some areas developed new processes to manage the enlarged supplier chain which has effectively doubled in size.

Our suppliers

The Group starts to generate economies of scale as its volumes increase and it continues to refine its outsourced manufacturing processes in conjunction with its suppliers to mitigate product cost increases.

Product development and product innovation

The Group protects its proprietary smoke and CO sensing technology and has around 50 registered patents in each of the key markets in which it operates. Investment in core technology to support innovative products remains at the heart of what differentiates Sprue from its competitors and we will continue to develop new products for our customers.

Outlook

Sprue has had a good first half and is trading in line with management's expectations.

Two significant drivers of revenue for the Group are the introduction of new legislation and the ever greater awareness of the dangers of fire and carbon monoxide poisoning. Although UK government spending cuts are likely to constrain further growth in the UK F&RS revenue, we expect all our other major markets to grow.

We look forward to taking the Group onto the next stage of its development.

GRA Whitworth
Chairman and Group CEO

Nick Rutter
Managing Director

John Gahan
Group Finance Director

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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 2011

		Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
	<i>Note</i>		
Turnover	2	17,089	11,887
Cost of sales	3	(11,519)	(7,850)
Gross profit		5,570	4,037
Distribution costs		(705)	(256)
Administrative expenses		(3,452)	(2,593)
Goodwill amortisation		(9)	(18)
		(4,166)	(2,867)
Operating profit		1,404	1,170
Interest receivable and similar income		10	2
Interest payable and similar charges	4	(25)	(35)
Profit on ordinary activities before taxation		1,389	1,137
Taxation	5	(441)	(293)
Profit for the period		948	844
Earnings per share (pence)	6		
Basic		2.66	2.46
Diluted		2.43	2.31

Continuing operations

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



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**STATEMENT OF GROUP TOTAL RECOGNISED GAINS & LOSSES
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Profit for the period	948	844
Currency translation differences on foreign currency net investments	(11)	18
Total recognised gains for the period	937	862



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UNAUDITED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	As at 30 June 2011 £000	As at 30 June 2010 £000
Fixed assets		
Intangible fixed assets	1,063	844
Tangible fixed assets	263	64
	<hr/> 1,326	<hr/> 908
Current assets		
Stocks	4,567	3,786
Debtors	5,922	4,548
Cash at bank and in hand	4,641	5,970
	<hr/> 15,130	<hr/> 14,304
Creditors: amounts falling due within one year	(8,031)	(8,862)
	<hr/>	<hr/>
Net current assets	7,099	5,442
	<hr/>	<hr/>
Total assets less current liabilities	8,425	6,350
	<hr/>	<hr/>
Creditors: amounts falling due after more than one year	(500)	(500)
Provision for deferred tax	(235)	-
	<hr/>	<hr/>
Net assets	7,690	5,850
	<hr/>	<hr/>
Capital and reserves		
Called up share capital	7	715
Share premium account	8	3,447
Profit and loss account		1,713
		<hr/>
Equity shareholders' funds		7,690
		<hr/>



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CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

	<i>Note</i>	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Net cash inflow from operating activities	9	461	3,216
Return on investment and servicing of finance		(15)	(33)
Taxation		(320)	-
Capital expenditure and financing investments		(474)	(209)
Cash (outflow) / inflow before use of liquid resources and financing		(348)	2,974
Financing - receipt of equity		15	288
(Decrease) / increase in cash during the period		(333)	3,262
Reconciliation of net cash flow to movement in net cash			
(Decrease) / increase in cash during the period		(333)	3,262
Change in net debt resulting from cash flows		(333)	3,262
Translation difference		-	3
Non-cash movement in loan and unamortised debt issue costs		(8)	-
Movement in net funds in the period		(341)	3,265
Net funds at beginning of period		4,482	1,730
Net funds at end of period	10	4,141	4,995

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.

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 2011. The results of acquired subsidiaries are consolidated for the period from the date on which control passed.

2. Turnover

An analysis of turnover by geographical market is given below:

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
United Kingdom and Eire	10,569	8,327
Continental Europe	5,753	2,847
Others (including Pace Sensors)	767	713
Total	17,089	11,887

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 (2010: £0.7m).

4. Interest payable and similar charges

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Interest on loan notes	(25)	(35)



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5. Taxation

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Current tax:		
Corporation tax charge for the period	(385)	(293)
Total current tax charge and tax on profit on ordinary activities	(385)	(293)
Deferred tax:		
Origination and reversal of timing differences	(56)	-
Total deferred tax	(56)	-
Total tax on profit on ordinary activities	(441)	(293)

6. Earnings per share

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Profit attributable to shareholders being profit after taxation	948	844
Weighted average number of shares in issue for basic calculation ('000)	35,694	34,302
Deemed issue of potentially dilutive shares ('000)	3,270	2,323
Weighted average number of shares in issue for diluted calculation ('000)	38,964	36,626
Earnings per share (pence)		
- basic	2.66	2.46
- diluted	2.43	2.31



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7. Called up share capital

	As at 30 June 2011 £000	As at 30 June 2010 £000
Authorised		
100,000,000 (2010: 100,000,000) ordinary shares of 2p each	2,000	2,000
Allotted, called up and fully paid		
35,751,139 (2010: 35,639,472) ordinary shares of 2p each	715	713

81,000 share options were exercised during the period at an average option price of 18p per share (2010: nil).

	Number '000	Nominal value £000
Ordinary shares of 2p each	81	2

8. Share premium account

	As at 30 June 2011 £000	As at 30 June 2010 £000
At beginning of the period	3,434	3,424
Premium on issue of shares	13	-
At end of the period	3,447	3,424



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

	Six months ended 30 June 2011 £000	Six months ended 30 June 2010 £000
Operating profit	1,404	1,170
Amortisation of development costs	148	123
Amortisation of goodwill	9	18
Depreciation charge	40	18
Share based payment expense	36	30
Movement in debtors	1,803	(836)
Movement in stock	507	(2,395)
Movement in creditors	(3,486)	5,088
Net cash inflow from operating activities	461	3,217

10. Analysis of net cash

	At beginning of period £000	Cash flows £000	Non-cash movements £000	At end of period £000
Cash at bank and in hand	4,974	(333)	-	4,641
Debt due after one year	(492)	-	(8)	(500)
	4,482	(333)	(8)	4,141

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