

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

**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 2008.

## Financial Highlights

2008 revenues increased by

**29% to £9,367,670** (2007: £7,263,057)

Pre-tax profits more than doubled to

**£1,576,943** (2007: £768,065)

Group net assets increased by

**£2,056,418 to £3,071,541**

## Operational highlights:

- Successful re-tendering of FireBuy contract
- Extended product range within key retailers and enhanced customer support
- Increased market acceptance and brand awareness
- Opened up new distribution channels, such as utilities and social care
- Developed a "next generation" carbon monoxide ("CO") platform, known as the 9 series, using in-house design and intellectual property, to be rolled out during 2009
- Added range extensions to 600 series smoke alarms (e.g. BlueScape smoke alarm with blue LED escape light)
- Launched Wi-Safe (wireless) flashing strobe and vibrating pad solution for the hearing impaired



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

"As the economy tightened through 2008, we were able to maintain strong momentum across all of our sectors.

The successful re-tendering of the FireBuy contract has allowed us to increase further our market share with the Fire and Rescue Services throughout the UK which, as well as generating concrete, repeatable orders, establishes a tacit endorsement of our products and procedures. Moreover, the extension of the FireBuy framework into the local authority and social housing sector provides us with an opportunity to accelerate our penetration of this key marketplace. This, coupled with the continued support of our major retail partners and the launch of our new CO range, gives the Board

confidence in the Group's prospects in the current financial year.

Whilst we are not immune from the current economic climate, we do operate in more defensive sectors, with the management team proactively looking to grow the business. This, we believe, will come through expansion into new territories and sectors, through our innovative approach to product design, and price competitiveness as a result of increasing scale and value engineering."

### 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 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).

For further information, please contact:

**Sprue Aegis plc**  
**02476 236600**

**Graham Whitworth,**  
**Chairman & CEO**

**Arbutnot Securities**  
**020 7012 2000**

**Alastair Moreton/Ed Gay**



## “FireAngel is now the leading supplier by volume and value of domestic smoke alarms to the UK Fire Services”

capitalisation and amortisation of the R&D intangible assets.

The rise in administrative costs reflects an increased headcount and our heightened promotional spend, although these have been more than offset by the growth in our top line, such that overheads as a percentage of revenue have reduced and now are in line with management expectations. Sprue Aegis has been expanding its customer services team to sustain excellent service and support across all areas of the business, as well as strengthening the technical department with key hires.

The profit before tax for the year was positively affected by the release of the interest accrued on the convertible unsecured loan stock on capitalisation, which improved this year's result by £119,232. The increased profit before tax also means that brought forward tax losses have now been utilised, and the charge for the year includes writing off last year's deferred tax asset of £300,000 in addition to the actual tax payable.

The Group's financial position continues to strengthen, with a more than three-fold increase in net assets to £3,071,541 as of the end of December 2008. This was in part due to the conversion of the £1 million unsecured loan stock to ordinary shares in Sprue Aegis at a



# Chairman's Statement

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

During 2008 Sprue Aegis has focused on establishing a strong platform for the continued growth of the Group. This has involved cementing our relationships with key customers and commercial partners, improving internal processes, adding appropriate skills and resources and developing our own intellectual property in carbon monoxide products, an area with significant growth potential going forward.

### Financial Overview

Group turnover increased by £2,104,613 to £9,367,670 (2007: £7,263,057), thanks to the broadening of our retail product range and increased penetration of non-retail markets. The gross margin widened to 42.8% (2007: 41.6%),

despite tough trading conditions and the declining value of sterling, particularly in the second half of the year, reflecting a higher margin product mix and the economies of scale achieved on increasing sales volumes.

The Group remained committed to its R&D programme, continuing to develop and deliver new and improved products across an expanding and more diverse range, including smoke and carbon monoxide alarms and “Wi-Safe” (wireless interconnect) safety accessories, for both our retail and non-retail customers. The total R&D spend for the year amounted to just over £500,000, albeit the charge to the profit and loss account amounted to £342,064 after the effect of

price of 18.425 pence per share in May 2008, together with the retained profits for the year. Reversing historic retained losses remains a priority to give us the opportunity to consider the payment of dividends in future.

We are also pleased to note the improvement in stock levels and cash, although trade debtors have increased in line with turnover primarily because of the seasonality of some of our sales. Loan notes outstanding amount to £953,271, but these are not due for repayment until 2010 and 2013, although possibly earlier at our option.

The Group is currently in dispute with E I du Pont de Nemours with regard to an historic advance royalty payment. The Board strongly maintains that it has no obligation to repay this royalty, and is aiming to conclude a successful resolution through mediation proceedings later in the year.

#### Business Overview

A key event for Sprue Aegis in 2008 was the successful re-tendering for the UK Fire Services' national procurement framework, known as "FireBuy", under which UK fire authorities purchase smoke alarms to fit free of charge as part of the National Home Fire Safety Check scheme. The value of the FireBuy programme for the Fire and Rescue services as a whole is estimated at £42 million over four years, but it additionally covers local authorities, Ministry of Defence properties and "ALMOs" (Arm's Length Management

## **"We remain absolutely committed to the retail sector, where demand for our products remain robust"**

Organisations; that is, third parties to whom local authorities outsource the management of their property portfolios). The National FireBuy framework encompasses a number of safety product categories, including domestic smoke and carbon monoxide alarms and smoke alarm systems for the hearing impaired. It is noteworthy that FireAngel was the only vendor to be awarded contracts in each of these categories.

During the course of 2008 we have added a total of 19 additional Fire Brigades, including 3 metropolitan authorities, to our customer base, such that FireAngel is now the leading supplier by volume and value of domestic smoke alarms to the UK Fire Services, with a catchment comprising some 12.8 million homes. We believe that there is still considerable scope for revenue growth from this sector. With over 9 million UK citizens considered to have a level of hearing impairment, we are pleased that our innovative and cost effective Wi-Safe products for the hard of hearing have been well received by the fire and social services.

We continue to work closely with FireBuy to promote awareness of the scheme amongst local authorities, an initiative that is already proving successful. The rigours of the process,



coupled with the tacit endorsement of FireAngel's products from the Fire & Rescue Services, make this a compelling proposition for social housing landlords.

To date, we have been exploiting the undoubted potential of the CO market through our exclusive distribution agreement with Kehoe Components Sale inc., trading as Pace Electronics Inc. ("Pace"). Followers of Sprue Aegis will recognise that this represents the antithesis of our business model, so will not be surprised that much of our R&D focus last year was to develop our own intellectual property, which has resulted in the development of the new "9 series" range of CO detectors, utilising the Pace CO sensor. The group expects to increase its share holding in Pace Sensor Limited to 49% by 2010. The 9 series combines enhanced features with FireAngel's design signature of style and ease of use; the range is already in-store with Tesco and B&Q,

with a major trade launch scheduled later this year.

We remain absolutely committed to the retail sector, where demand for our products remains robust, despite the fact that most of our key retail partners introduced inventory reduction programmes in the second half of 2008. Retail volumes have now reverted to near normal seasonal levels of trading, although we are experiencing some softening of margins as a result of Sterling weakening against the US Dollar and as the UK retailers look for increased promotional support to compete for market share in the current tough economic climate.

We have announced a recent win within the utilities sector with E.ON and expect the utilities sector to continue to develop over time. Our current range of smoke and new CO products is expected to be price competitive in this sector and, in most cases, provides enhanced functionality relative to competitive offerings. The Group has also taken its first step into Continental Europe, recently completing a successful trial with a leading Spanish retailer. There are plans to roll-out the FireAngel product range throughout Spain and Portugal later this year in conjunction with a chosen distribution partner that already provides health and safety consultancy services to many leading and potential clients in the territory.

Our increased marketing expenditure, driven largely by customer demands, is proving successful in both growing market acceptance and strengthening

FireAngel brand recognition. Our success in high profile business awards throughout 2008, such as the £35 million Bank of Scotland Entrepreneur Challenge (Midlands regional finalist), the DIY Week Awards (Wi-Safe a gold winner in 2008) and the Sunday Times Fast Track Top 100 private company rankings (ranked 67th in 2008), has assisted in raising Sprue Aegis' profile nationally. We have made a significant investment in the FireAngel website ([www.FireAngel.co.uk](http://www.FireAngel.co.uk)) with the aim of providing detailed product information for each of our target markets and, over time, expect this to be seen as the information portal for the safety products industry.

#### Outlook

Sprue Aegis' financial position continues to strengthen and, the Board believes that, the Group is well positioned for continued progress. While cost pressures are likely, we expect to benefit from increased volumes within our existing customer base and the value engineering of our existing products. We have identified new and emerging market opportunities for our current ranges and related new products, and expect strong growth in areas such as carbon monoxide.

Although we operate in relatively defensive sectors and are proud of our achievements to date, we are not complacent about the future, particularly as market conditions are expected to remain challenging for some time to come. That said, we are no longer exposed to any one



product, market sector or customer, the visibility of our revenue streams is increasing and our product pipeline has undoubted potential. All this, together with a strong trading performance in the first quarter of 2009, gives the Board confidence in Sprue Aegis' prospects.

Finally, I should like to thank all of our stakeholders for their continued support but, in particular, my thanks go to all of our staff who have met the challenges of working for a growth company and who continue to contribute to building increasing shareholder value.

**GRA Whitworth**  
14 May 2009

**Chairman & CEO**  
Sprue Aegis plc

# Consolidated Profit & Loss Account

For the year ended 31 December 2008

	Year ended 31 December 2008	Year ended 31 December 2007	Note
	£	£	
<b>Turnover</b>	<b>9,367,670</b>	7,263,057	1
Cost of sales	(5,358,355)	(4,243,509)	
<b>Gross profit</b>	<b>4,009,315</b>	3,019,548	
Distribution costs	(154,638)	(125,334)	
Research and development	(342,064)	(263,880)	
Administrative expenses	(1,945,834)	(1,680,085)	
Other operating income	-	-	
Goodwill amortisation	(17,292)	(17,292)	
<b>Operating profit</b>	<b>1,549,487</b>	932,957	
Interest receivable and similar income	33,466	27,214	
Interest payable and similar charges	(6,010)	(192,106)	2
<b>Profit on ordinary activities before taxation</b>	<b>1,576,943</b>	768,065	
Tax (charge)/credit	(493,412)	233,900	3
<b>Profit for the period</b>	<b>1,083,531</b>	1,001,965	
<b>Earnings per share</b>			4
Basic	0.0342	0.0354	
Diluted	0.0336	0.0351	

## Continuing Operations

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

# Consolidated Balance Sheet

At 31 December 2008

	Year ended 31 December 2008	Year ended 31 December 2007
	£	£

## Fixed Assets

Intangible assets	551,683	406,880
Tangible assets	44,695	44,000
Investments	9,000	-
	<b>605,378</b>	450,880

## Current Assets

Stocks	1,068,244	1,193,847
Debtors	2,650,885	2,051,066
Cash at bank and in hand	1,635,058	1,050,373
	<b>5,354,187</b>	4,295,373

<b>Creditors: Amounts falling due within one year</b>	<b>(1,934,753)</b>	(2,782,476)
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<b>Net current assets</b>	<b>3,419,434</b>	1,512,810
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<b>Total assets less current liabilities</b>	<b>4,024,812</b>	1,963,690
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<b>Creditors: Amounts falling due after more than one year</b>	<b>(953,271)</b>	(948,567)
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<b>Net assets</b>	<b>3,071,541</b>	1,015,123
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## Capital and reserves

Called up share capital	674,389	565,841
Share premium account	3,174,848	2,283,397
Accumulated deficit	(777,696)	(1,834,115)

<b>Equity shareholders' funds</b>	<b>3,071,541</b>	1,015,123
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# 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 2008. The results of subsidiaries acquired are consolidated for the period from the date on which control passed.

## 2. Turnover

An analysis of UK turnover by geographical market for the years ended 31 December 2008 and 31 December 2007 is given below:

	Year to 31 December 2008	Year to 31 December 2007
	£	£
United Kingdom and Eire	<b>9,355,312</b>	7,260,229
Others	<b>12,358</b>	2,828
<b>Total</b>	<b>9,367,670</b>	7,263,057

## 3. Interest payable and similar charges

	Year to 31 December 2008	Year to 31 December 2007
	£	£
Interest on other loans	<b>124,945</b>	187,797
Other interest	<b>297</b>	4,309
Interest released on conversion of unsecured loan notes	<b>(119,232)</b>	-
<b>Total</b>	<b>6,010</b>	192,106

#### 4. Taxation

Analysis of charge/(credit) in year

At the year end there were corporation tax losses of £nil (2007: £831,000) available for set off against future assessable profits.

	Year to 31 December 2008	Year to 31 December 2007
	£	£
Current tax		
Corporation tax charge for the period	<b>193,412</b>	100
Total current tax charge	<b>193,412</b>	100
Release of deferred tax asset	<b>300,000</b>	(234,000)
<b>Tax on profit/(loss) on ordinary activities</b>	<b>493,412</b>	(233,900)

#### 5. Earnings per share

	Year to 31 December 2008	Year to 31 December 2007
	£	£
Profit/(loss) attributable to shareholders being profit/(loss) after taxation	<b>1,083,531</b>	1,001,965
Weighted average number of shares in issue for basic calculation	<b>31,702,730</b>	28,292,063
Deemed issue of potentially dilutive shares	<b>545,565</b>	240,570
Weighted average number of shares in issue for diluted calculation	<b>32,248,295</b>	28,532,633
<b>Earnings per share</b>		
- basic	<b>0.0342</b>	0.0354
- diluted	<b>0.0336</b>	0.0351

## 6. Contingent Liability

In December 2004 the Group entered into a License and Distribution agreement with E I du Pont de Nemours and Group ("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 \$1.4 million to cover the 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's products. In the event DuPont made few sales in the North American market, and subsequently have demanded the repayment of the Advance Royalty. The Group strongly maintains that it has no obligation in this regard and accordingly has made no provision in these accounts for any such repayment. Sprue and DuPont have agreed to undergo non-binding mediation proceedings later on in the year to try and resolve this dispute.

## 7. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The summarised balance sheet at 31 December 2008 and the summarised profit and loss account for the year then ended

have been extracted from the Group's audited 2008 statutory financial statements. The Group's auditors have agreed to the release of this announcement.

The accounts for the year ended 31 December 2008 will be posted to shareholders in due course and will be delivered to the Registrar of Companies 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: The Technocentre, Puma Way, Coventry, CV1 2TT or via the website ([www.fireangel.co.uk](http://www.fireangel.co.uk)).