



SPRUE AEGIS

SPRUE AEGIS plc Business Summary
for the Year Ended 31 December 2010

Sprue Aegis plc, Europe's leading home safety products supplier which designs and distributes smoke alarms and carbon monoxide detectors and other safety related products throughout Europe under the FireAngel, First Alert, BRK and Dicon brands, is pleased to announce its results for the financial year ended 31 December 2010.

Financial Highlights

Turnover up	108% to £29.9m	(2009: £14.4m)
Operating profit up	53% to £3.1m	(2009: £2.0m)
Underlying gross margin*	42.1%	(2009: 37.5%)
Profit before tax up	56% to £3.0m	(2009: £1.9m)
Basic earnings per share up	34% to 6.25p	(2009: 4.67p)
Net Cash of	£4.5m	(2009: £1.7m)
Final dividend proposed of	1.0p per share	(2009: 0.5p)

* Before inclusion of BRK distribution fee

Operational Highlights:

- The European CO and smoke markets continue to expand rapidly with ever greater awareness of the risks of CO and with new legislation driving growth
- Completion of the BRK distribution agreement, increasing both product and distribution range
- FireAngel Limited was rebranded as Sprue Safety Products Ltd, to allow Sprue to market four brands of FireAngel, First Alert, BRK and Dicon
- Increased investment in technology and product innovation
- Strengthened Board and management team
- Inclusion in The Sunday Times Virgin Fast Track 100 for the third successive year
- Awarded 2010 Plus Company of the Year and 2010 Plus Chairman of the Year
- Development of one of the world's smallest long-life carbon monoxide sensors for inclusion on the FireAngel range of carbon monoxide alarms during 2011





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



“2010 was a transformational year for Sprue and I am delighted with what are another record set of results for the Group. Whilst the BRK transaction was complex, it has clearly made a solid contribution to the Group’s operating profit. This has been an earnings enhancing transaction for the Group, and we expect further revenue growth and cost synergies to come through in 2011 and beyond.

We continue to invest and develop our in-house smoke and CO sensing technology to remain at the forefront of our industry from a technology and product cost perspective to provide our customers with a comprehensive product offering.

Sprue is well placed to extend its market leadership position and benefit from growth in the Continental European markets in particular.”

Notes to Editors About Sprue Aegis plc

With its head office in Coventry, UK, Sprue is one of Europe’s leading home safety products suppliers and has developed one of the world’s smallest carbon monoxide sensors for use in CO detectors. Sprue designs, manufactures and distributes smoke and carbon monoxide detectors including other safety related products throughout Europe under the FireAngel, First Alert, BRK and Dicon brands. Sprue enjoys a strong European market presence, a leading UK retail foot print, is the supplier of choice to the UK’s Fire and Rescue Services, and continues to develop its market share in the UK’s trade sector. Sprue also has a growing network of independent distributors within Continental Europe providing access into these key growth markets through local partners.

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Our brands

BRK

The Professional Standard. The world’s largest manufacturer of domestic fire safety and home security products. BRK offers a comprehensive range of 230V mains powered smoke, heat and CO alarms to the contractor, specifier and distributor.

DICON™

The Defender. Historically a no-nonsense and trusted trade brand. Dicon will leverage its heritage to evolve into a volume brand of choice.

FireAngel®

Life-Saving Innovations. Delivering stylish, innovative and high quality safety products. FireAngel will extend its strong retail presence and continue to be the brand of choice for the UK’s Fire Brigades. FireAngel will continue to deliver innovation.

First Alert®

Protecting People Since 1967. 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.

Sprue has patented technology in Europe, the US and other selected territories and its range of smoke and carbon monoxide 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

We make products that save lives. It is a simple philosophy. Everything we do is focussed on providing market leading smoke and carbon monoxide detectors that achieve this objective. We are serious about CO and smoke detection and believe everyone should be properly protected with affordable and reliable home safety products from a company with brands you can trust. We work with passion and seek to inspire those that work for us in the same way. We encourage our staff to “make a difference” to our business every day.

Management Commentary

Sprue Aegis plc

Introduction

We are delighted to update shareholders on the extensive progress we have made this year towards achieving our objective of becoming Europe's leading safety products supplier. 2010 has been a transformational year for the Group with the integration of the BRK business and many other significant achievements during the year.

These are a record set of results for the Group and our inclusion in the Sunday Times Virgin 2010 "Fast Track 100" – the 100 fastest growing companies in the UK – for the third year running is strong evidence of the rapid progress we have made since 2006 when sales were just £3.4m. In addition, to win both "PLUS Market Company 2010" and "PLUS Market Chairman 2010" were commendable achievements for the Group.



Exclusive European Distribution Agreement with BRK Brands Europe Limited ("BRK")

"Sprue has achieved a significant amount in a relatively short space of time. Whilst we are tremendously proud of our progress, we are not complacent and seek to achieve even more."

Our appointment, announced to the market on 7 April 2010, as the exclusive European distributor for BRK to distribute BRK's entire range of fire, smoke and related safety products in Europe, sold under the BRK®, Dicon® and First Alert® brands, cements our position as Europe's leading supplier to the domestic home safety market and provides the Group with an expanded platform for further growth.

On 7 April 2010 but with economic effect from 1 April 2010 under the terms of the BRK distribution agreement, Sprue took over responsibility for all BRK's customer contracts and its employees who transferred to Sprue under TUPE.

In return for a fixed annual distribution fee, Sprue is committed, provided certain conditions continue to be met, to pay BRK £4.2m per annum for the exclusive rights to distribute BRK's products and its brands of First Alert, BRK and Dicon throughout Europe.

Financial due diligence confirmed that £4.2m was the underlying operating profit of BRK in the financial year to 31 December 2009, being BRK's latest full financial year.

Except for the purchase of BRK's inventory at net book value, Sprue paid no initial consideration for the exclusive European distribution rights for BRK products and its brands.

The distribution fee is payable three months after the end of the quarter to which it relates. The quantum of the distribution fee in each quarter broadly matches the profile of the profitability of the BRK business in 2009. The distribution fee does not accrue evenly over the year, and should Sprue fail to generate sufficient EBITDA in any quarter to cover the distribution fee in that quarter, Sprue is entitled to a distribution fee payment holiday until such time that in subsequent quarters, the EBITDA post deduction of that quarter's distribution fee becomes positive again.

The term of the distribution agreement is for a minimum period of five years and automatically renews for recurring five year terms thereafter unless either party wishes to terminate the agreement.

The BRK distribution fee between 1 April 2010 to 31 December 2010 amounted to £2.8m and is included within cost of sales reducing reported gross margin by 9.4%. Before the inclusion of the distribution fee in cost of sales of £2.8 million in 2010, underlying gross margin increased by 4.6% to 42.1% in 2010, principally due to a beneficial change in the FireAngel products' sales mix and the introduction of the BRK products. Before the inclusion of the distribution fee, Sprue's operating profit was £5.9m.

To address the challenges created by doubling the size of the original Sprue business, we have identified certain process and capability enhancements which we are implementing to support the next stage of the Group's growth. Our confidence in the future is illustrated by our continued strengthening of the organisational structure to ensure a sustainable platform from which to deliver profitable growth.

BRK's ultimate parent company is Jarden Corporation ("Jarden"), Jarden acquired a 29.9% stake in Sprue and sought and obtained the right to nominate two non-executive directors for appointment to Sprue's Board. One such non-executive,



Ashley Silverton joined the Sprue Board in March 2011. The BRK distribution agreement is beneficial to both Sprue and BRK and both parties are very committed to a successful long term relationship. The Group continues to evaluate potential market entry strategies for BRK to sell selected FireAngel products into the North American market alongside existing BRK products and brands.

One company, four brands

The addition of three well established safety product brands to sell alongside the FireAngel brand prompted us to rename the principal operating company within the Group from "FireAngel Limited" to "Sprue Safety Products Ltd". The new company name reflects the nature of Sprue's business and allows Sprue to market four complimentary brands, each with clear identities and target markets.

Our customers have responded positively to this development and now enjoy a wider range of complimentary smoke, CO and safety products from a single source. We continue to develop our brands and build on our reputation as a reliable, high quality, competitively priced safety products' supplier. For many of our customers, we are the supplier of choice and enjoy high levels of sales to the UK's Fire & Rescue Services ("UK F&RS"), B&Q and Tesco as well as a number of other key customers who widely regard Sprue as the market leader in our sector.

Financial overview

Group turnover more than doubled from £14.4m million to £29.9 million benefiting from the revenues of BRK products and incremental sales of the FireAngel products which again enjoyed double digit growth over the previous year.

The BRK distribution fee broadly matches the seasonality of the BRK business in 2009 and as such, does not accrue evenly during the year. The BRK distribution fee for the nine months ended 31 December 2010 amounted to £2.8m and is included within cost of sales (2009: £nil).

Underlying gross margin, increased by 4.6% to 42.1% (2009: 37.5%), primarily as a result of the introduction of margin enhancing FireAngel products and the first time sale of the BRK products. Exchange rates had little impact on the Group's 2010 results compared to the previous year.

The Group remains committed to product development programme and expensed £0.7 million (2009: £0.4 million) of development costs in the year.

The Group's balance sheet continued to strengthen with net cash of £4.5m at the end of 2010 (2009: £1.7m). The Group made a scheduled repayment of a £0.5 million loan note in December 2010, and remaining gross borrowings at year end amounted to a £0.5 million loan note repayable in January 2013 (2009: £1.0m). We carefully monitor our working capital requirements to ensure the Group maximises free cash flow and maintains a healthy level of headroom.

Reflecting a high degree of confidence in the Group's ability to significantly grow in the future, the Board is pleased to recommend a 100% increase compared to 2009 in the proposed final dividend of 1.0 pence per share, amounting to a cost of £0.36m. If approved by shareholders at the forthcoming Annual General Meeting, the dividend will be paid before 8 July of this year.

Foreign exchange management

Given recent turmoil in world debt markets, major political and economic developments and the exchange rate volatility we have seen in the last twelve months, the Group has extended its policy to hedge more of its foreign exchange rate exposure and for a longer period, now typically up to twelve months out. The level of forward cover depends on forecast demand, forecast foreign currency flows and future expectations of the Sterling / US\$ and Euro / US\$ exchange rates.

Product development

We continue to focus on developing new products and enhancing our R&D capability and have expanded our in-house team of engineers both in the UK and Canada. Already, we are seeing the continued benefit of investment in R&D with the successful launch of the ST-620 (which when launched, had highly positive feedback from the UK F&RS), a cold alarm and CO-9D last year and a strong pipe-line of new products to come through in the next 12-24 months. All products are designed for efficient manufacture, improved functionality and ease of fitting whilst providing market leading detection performance.

The ST-620 is a groundbreaking Thermoptek™ smoke alarm and is one of the best performing domestic smoke alarms on the market. With a guaranteed ten year battery life and

Thermoptek™ technology, it combines the very latest in optical sensing with thermal enhancement, providing fast reaction times to both slow smoldering and fast flaming fires in one environmentally friendly alarm. The CO-9D is an enhanced Digital Carbon Monoxide detector incorporating a sealed for product life 7 year battery, replacing our highly successful CO-828 design which was voted “Best Carbon Monoxide Alarm” by the Good Housekeeping Institute in 2009.

Working in partnership with our key suppliers is important to ensure that suppliers have sufficient capacity and capital resources to manufacture the significant increases in volumes of products we require at competitive prices and to the highest quality standards. Periodically, we bench mark our suppliers' prices to ensure Sprue continues to receive competitive prices and benefits from the increased economies of scale which it brings to its supply chain.

“2010 was a transformational year for Sprue and I am highly satisfied with what are another record set of results for the Group.”

Home safety products market review

UK F&RS. Despite budget cuts introduced by the UK coalition government, we expect our sales to the UK F&RS in 2011 to remain broadly flat compared to the previous year. Brigades are placing an increased emphasis on fire prevention through community initiatives and education, often with the involvement of other support agencies and organisations. We continue



to liaise closely with the UK F&RS to help educate local authorities and social housing landlords to the benefits of fitting smoke and CO alarms.

The UK coalition government recently announced that after a competitive tender process and subject to the completion of due diligence, The Consortium for Purchasing and Distribution Limited will manage the framework contracts currently held by Firebuy. At this stage, we do not expect the impact of this change to significantly affect our business this year although we are keeping the situation under review to ensure that we remain the supplier of choice to the UK F&RS.

UK retail. Our UK retail sales have also remained strong despite the relatively tough economic conditions on the high street and the VAT rise to 20% on 1 January 2011. Often, our products are considered as non-discretionary spend for many households, and as a result of increased awareness from retailers embracing national safety initiatives such as the CO campaigns from both COCAA and the Gas Safe Register, sales continue to perform well. Retailer buying patterns remain changeable with a risk of retailer destocking which would impact revenue.

We are delighted to report that B&Q and Tesco were early adopters of our 9-series range of CO alarms which are selling well ahead of expectation. This range of CO products was developed exclusively by Sprue and incorporates our own patented electrochemical cell sensor technology providing accurate measurement of CO, as well as sealed 7-year life battery variants.

UK Trade. Building on contract wins in the utility sector with EON and EDF, we see increasing CO demand in the utilities sector, where the Group is engaged in joint product promotions. Importantly, a number of leading energy providers are now installing FireAngel CO alarms as part of their installation and annual maintenance programmes with modest potential recurring revenue streams in future years. FireAngel CO products are also gaining strong momentum with the likes of Wolseley and PTS as fulfilment partners for social housing and energy sector programs. The Group has also signed a contract with a leading telecare and telehealth solutions business to install one of Sprue's leading CO alarms within their own brand of care monitoring system.

Continental Europe. Following the recent French decree that every home in France must have a smoke alarm, Sprue has appointed Mapa Spontex to sell exclusively First Alert products into the hypermarket channel in France alongside Onelec, the Group's existing distributor which sells to the rest of the French market. Sprue management estimates that the smoke detector market in France amounts to approximately 50million smoke alarms that could be required over the next four years. We have also continued to see high levels of market activity at our German distributor. Overall, sales in Continental Europe contributed £7.8m in the year ended 31 December 2010 (2009: £0.1m).

Pace Sensors Limited

Pace Sensors in Canada, headed by Mario Zanon, is leading a small but strategically significant engineering centre of excellence to develop a second generation CO sensor. Our new second generation sensor, planned to be introduced later this year, will be one of the world's smallest CO sensors and is likely to contribute to a modest reduction in the finished cost of a completed CO detector. Our CO product development keeps Sprue in an elite group of the world's leading CO sensing businesses.

Board Changes

In January 2010, John Gahan joined Sprue Aegis as a full-time Group Finance Director and was subsequently appointed to the Board on 1 April 2010. John played an instrumental part in the negotiation of the BRK transaction and subsequent integration of the BRK business into Sprue and has taken responsibility for a number of key initiatives within the Group. Following John's appointment, William Payne, Sprue Aegis' former part-time finance director, has assumed the role of a non-executive director, providing invaluable experience and continuity to the Board.

In July 2010, Peter Brigham joined the Board as an Executive Director. Peter brings twenty five years of specialist manufacturing and safety critical design experience at Goodrich Engine Controls and TRW Automotive amongst other companies.

As announced in March 2011, Ashley Silverton was appointed to the Board as a non-Executive Director having been jointly nominated by Jarden and Sprue. Sprue and BRK are working well together and Ashley's appointment as an independent director strengthens this relationship. Ashley also brings a fresh investment management perspective to the Board.

Proposed final dividend for financial year 2010

We are delighted to announce that the Board has approved the doubling of the final dividend in respect of 2010 of 1.0 pence per share compared to 2009. The proposed cost to the company amounts to £0.36 million and it is covered 6.1x by post tax profit. If approved by shareholders at the forthcoming AGM on 24 May 2011, the ex-dividend date and associated record date would be 1 June and 3 June 2011 respectively and would be paid to shareholders by 8 July 2010, being within 30 business days of the record date.

Outlook

With the significant potential addressable market in both Europe and North America for its products, the Board believes that the Group continues to be significantly undervalued on PLUS.

The Board has commissioned a research note to be published shortly by Arbutnot Securities to provide an indication of the Group's future revenue, profit and cash generation potential. The Board hopes that this will help the market better understand the full potential of the Group which will be reflected in the share price.

Our business model continues to be readily scaleable and our addressable smoke and CO markets are increasing with ever greater awareness of the importance of protection against the dangers of smoke and CO. Legislative changes across Europe are also driving growth with the introduction of new rules requiring the potential fitment of smoke and CO products where not previously required.

We remain focussed on building long term shareholder value by positioning the Group to capitalise on the growth opportunities in the European safety products market and to continue to develop our smoke and CO product intellectual property to enhance our competitive position to provide sustainable competitive advantage for shareholders.

Given our broadened range of products, our entry into the UK trade sector, our wider pan Continental European customer base and the expected high growth potential of our markets in Continental Europe in particular, the Board believes the Group is now uniquely placed to cement and further advance its position as Europe's leading safety products provider.

Whilst we have seen significant product price inflation out of the Far East in the last six months, with our technical team in the UK and centre of engineering excellence in Canada, we expect that we can continue broadly to mitigate product cost increases through re-engineering existing products.

Our thanks go out to the enlarged team of people we are privileged to call our staff. Their inspiration and dedication to make a difference to our business continues to deliver excellent results. We are proud to manage this business and we look forward to taking the Group to the next stage in its development. This is an exciting time to be part of Sprue as a manager, as an employee and for all stakeholders within our business.

GRA Whitworth
Chairman & Group CEO

Nick Rutter
Managing Director

John Gahan
Group Finance Director

The Directors of the issuer accept responsibility for this statement.



Consolidated Profit & Loss Account

For The Year Ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	2	29,873	14,356
Cost of sales		(20,099)	(8,972)
Gross profit		9,774	5,384
Distribution costs		(699)	(223)
Research and development		(721)	(423)
Administrative expenses before exceptional item		(5,295)	(2,454)
Exceptional item - Dupont settlement		-	(266)
Goodwill amortisation		(26)	(17)
Operating profit		3,063	2,001
Interest receivable and similar income		6	3
Interest payable and similar charges	3	(80)	(91)
Profit on ordinary activities before taxation		2,989	1,913
Tax on profit on ordinary activities	4	(808)	(338)
Profit for the year		2,181	1,575
Earnings per share (pence)	5		
Basic		6.25	4.67
Fully diluted		5.82	4.51

Continuing Operations

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

Consolidated Balance Sheet

As at 31 December 2010

	2010	2009
	£'000	£'000
Fixed Assets		
Intangible assets	833	776
Tangible assets	217	45
	1,050	821
Current Assets		
Stocks	5,074	1,391
Debtors	7,725	3,712
Cash at bank and in hand	4,974	2,705
	17,773	7,808
Creditors: Amounts falling due within one year	(11,092)	(3,435)
Net current assets	6,681	4,373
Total assets less current liabilities	7,731	5,194
Creditors: Amounts falling due after more than one year	(492)	(488)
Provisions for liabilities	(179)	-
Net assets	7,060	4,706
Capital and reserves		
Called up share capital	714	674
Share premium account	3,434	3,175
Profit and loss account	2,912	857
Shareholders' funds	7,060	4,706

Consolidated Cash Flow Statement

For The Year Ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	6	3,944	1,795
Return on investment and servicing of finance		(74)	(88)
Taxation		(664)	(188)
Capital expenditure and financial investment		(584)	(291)
Acquisitions		-	(154)
Equity dividend paid		(178)	-
Cash inflow before use of liquid resources and financing		2,444	1,074
Financing		(176)	-
Increase in cash during the year		2,268	1,074
Reconciliation of net cash flow to movement in net funds			
Increase in cash during the year		2,268	1,074
Cash outflow from decrease in debt		475	-
Non cash movement in loan and unamortised issue costs		(4)	(10)
Change in net funds resulting from cash flows		2,739	1,064
Translation difference		1	(4)
Movement in net funds in the year		2,740	1,060
Net funds at beginning of year		1,742	682
Net funds at end of year	7	4,482	1,742

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

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

b) Basis of consolidation

The group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 31 December 2010. 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

The turnover, operating profit result and net assets are wholly derived from the group's principal activity. An analysis of turnover by geographical market for the two years ended 31 December 2010 is given below:

	2010	2009
	£'000	£'000
United Kingdom and Eire	21,197	14,288
Continental Europe and others	8,676	68
	29,873	14,356

3. Interest payable and similar charges

	2010	2009
	£'000	£'000
Interest on loan notes	80	91

4. Taxation

	2010	2009
	£'000	£'000
Current tax		
UK Corporation tax	535	388
Adjustments in respect of prior years	94	(50)
Total current tax charge and tax on profit on ordinary activities	629	338
Deferred tax		
Origination and reversal of timing differences	179	-
Total deferred tax	179	338
Total tax on profit on ordinary activities	808	338

5. Earnings per share

	2010	2009
	£'000	£'000
Profit attributable to shareholders being profit after taxation	2,181	1,575
	No.	<u>No.</u>
Weighted average number of shares in issue for basic calculation ('000)	34,889	33,719
Deemed issue of potentially dilutive shares ('000)	2,613	1,169
Weighted average number of shares in issue for diluted calculation ('000)	37,502	34,888
Earnings per share (pence)		
- basic	6.25	4.67
- fully diluted	5.82	4.51

6. Reconciliation of operating profit to operating cash flows

	2010	2009
	£'000	£'000
Operating profit	3,063	2,001
Amortisation of capitalised development costs and goodwill	323	239
Depreciation charges	32	16
Exchange differences	29	(197)
Share-based payment expense	60	35
Movement in debtors	(3,933)	(1,061)
Movement in stock	(3,683)	(323)
Movement in creditors	8,053	1,085
Net cash inflow from operating activities	3,944	1,795

7. Analysis of net cash	At beginning of year	Cash flows	Non-cash movements	Exchange difference	At end of year
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	2,705	2,268	-	1	4,974
Debt due within one year	(475)	475	-	-	-
Debt due after one year	(488)	-	(4)	-	(492)
	1,742	2,743	(4)	1	4,482

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 2010 and the summarised profit and loss account for the year then ended have been extracted from the Group's audited 2010 statutory financial statements. The Group's auditors have agreed to the release of this announcement.

The accounts for the year ended 31 December 2010 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) or (www.fireangel.co.uk).



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