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The Company and the Directors of the Company, whose names appear on page 5 of this document, accept responsibility, collectively and individually, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 30 April 2014.

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The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part II of this document.



SPRUE AEGIS

Sprue Aegis PLC

Incorporated and registered in England and Wales with registered number 03991353

Placing of 5,980,117 ordinary shares of 2p each at 200p per ordinary share and Admission to trading on AIM

Westhouse 
Nominated Adviser and Broker

The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

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Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Westhouse Securities from the date of this document for the period ending one month after Admission.

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KEY INFORMATION

The following information is extracted from, and should be read in conjunction with, the full text of this document. Investors should read the whole document and not rely solely on the information in this 'Key Information' section or any other information summarised in this document.

Overview

Sprue was formed in 1998 as a start-up with the ambition to build a world-class consumer safety products business focused on the smoke alarm market. Sprue's founders believed that they could develop innovative products that would change consumers' perception of smoke alarms by providing technologically advanced and aesthetically pleasing products with improved ease of use, greater consumer focus and that consumers would be less likely to deliberately deactivate due to false alarms.

With a focus on innovation and high quality manufacture, Sprue has grown rapidly since 1998 to become one of Europe's leading home safety products suppliers, extending its product range from smoke alarms into CO alarms and related accessories, with total sales in the year ended 31 December 2013 of £48.4 million (6.8 million units) of which:

- 55 per cent. were sold in the UK (£26.7 million);
- 39 per cent. were sold in Continental Europe (including relatively small exports into the rest of the world) (£18.6 million); and
- 6 per cent. were sold by Pace Sensors (£3.1 million).

Since 2005, the Company has grown rapidly and was named in the Sunday Times Virgin Fast Track 100 in each year from 2008 to 2012. Sprue markets and distributes products under its own distinctive brands (FireAngel, AngelEye and Pace Sensors) ('Sprue's Branded Products') and has the exclusive rights to distribute the brands of BRK Brands (First Alert, BRK and Dicon) throughout Europe.

Sprue markets its products into five key market segments: Continental Europe, UK Retail, UK F&RS, UK Utilities & Leisure, and UK Trade. Sprue has leading market positions in four of its five key segments, including estimated market shares of approximately 90 per cent. in the UK F&RS segment and 65 per cent. in the UK Retail segment.

The movement towards increased smoke and CO safety legislation is evident in certain European jurisdictions (for example in France, Germany (in certain states) and the UK). The Directors believe that this will increase the overall size of the smoke and CO alarm market in Europe and, furthermore, that Sprue is well positioned to take advantage of this opportunity.

Sprue continues to build on its market leading positions in the home safety products markets that it serves by providing innovative, cost competitive, technologically advanced and aesthetically pleasing products. Continuous investment in product development and the expansion of its 'technology bookshelf', including its Thermoptek smoke sensing technology, CO sensing capabilities, its sealed battery for product life solution and proprietary wireless technology, which provides its products with wireless internet connectivity, have helped position the Group as one of Europe's leading home safety products suppliers with a portfolio of well recognised brands. Sprue's proprietary technology is a major part of its competitive advantage.

Reasons for the Placing, Use of Proceeds and the Move to AIM

The net proceeds of the Placing receivable by the Company, of approximately £7.2 million, will be used to provide additional working capital to support sales growth across Sprue's markets, particularly in France, and to fund product development. With a 30 per cent. increase in sales in the year ended 31 December 2013, the Company required additional working capital of £3.2 million at the end of the year.

The Company is seeking to move from ISDX to AIM in order to take advantage of AIM's higher profile, broader investor base, greater liquidity and greater access to institutional investors for the Placing and any future potential fundraising.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT.

PLACING AND ADMISSION STATISTICS

Placing Price per Placing Share	200p
Number of Existing Ordinary Shares	40,375,373
Number of New Ordinary Shares to be issued pursuant to the Placing	4,000,000
Number of Sale Shares to be sold pursuant to the Placing	1,980,117
Number of Ordinary Shares in issue immediately following Admission ¹	45,245,373
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares to be issued in the Placing	8.8 per cent.
Percentage of the Enlarged Share Capital represented by the New Ordinary Shares	10.8 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£8.0 million
Estimated net proceeds of the Placing receivable by the Company	£7.2 million
Estimated gross proceeds of the Placing receivable by the Selling Shareholders	£4.0 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders	£3.9 million
Market capitalisation of the Company at the Placing Price at Admission	£90.5 million
AIM Ticker	SPRP
ISIN	GB0030508757
Website	www.sprueaegjs.com

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	24 April 2014
Withdrawal of Ordinary Shares from ISDX Growth Market	29 April 2014
Admission becoming effective and commencement of dealings in the Enlarged Share Capital on AIM	8.00 a.m. on 30 April 2014
CREST accounts credited in respect of New Ordinary Shares	8.00 a.m. ² on 30 April 2014
Despatch of definitive share certificates, where applicable	by 7 May 2014

References to times and dates in the timetable above are to London, UK time unless otherwise stated. Each of the times and dates in the above timetable is subject to change without further notice.

¹ Includes the Option Exercise Shares.

² Or as soon as practicable thereafter.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Graham Reginald Alexander Whitworth, <i>Executive Chairman & Group CEO</i> Nicholas Alexander Rutter, <i>Managing Director</i> John Richard Gahan, <i>Group Finance Director</i> John Francis Walsh, <i>Business Development Director</i> Peter Joseph Brigham, <i>Technical Director</i> Peter Jessel Levay Lawrence, <i>Non-executive Director</i> William James Benedict Payne, <i>Non-executive Director</i> Ashley Victor Silverton, <i>Non-executive Director</i> Thomas Joseph Russo, <i>Non-executive Director</i>
Company Secretary	William Payne
Registered Office of the Group	Bridge House 4 Borough High Street London SE1 9QR
Head Office of the Group	Vanguard Centre Sir William Lyons Road Coventry CV4 7EZ
Nominated Adviser and Broker	Westhouse Securities Limited Heron Tower 110 Bishopsgate London EC2N 4AY
Solicitors to the Company	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
Auditors	Baker Tilly UK Audit LLP St Phillips Point Temple Row Birmingham B2 5AF
Reporting Accountants	Baker Tilly Corporate Finance LLP 25 Farringdon Street London EC4A 4AB
Solicitors to the Nominated Adviser and Broker	Walker Morris LLP Kings Court 12 King Street Leeds LS1 2HL
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen B63 3DA

PART I

INFORMATION ON THE GROUP

Introduction

Sprue was formed in 1998 as a start-up with the ambition to build a world-class consumer safety products business focused on the smoke alarm market. Sprue's founders believed that they could develop innovative products that would change consumers' perception of smoke alarms by providing technologically advanced and aesthetically pleasing products with improved ease of use, greater consumer focus and that consumers would be less likely to deliberately deactivate due to false alarms.

With a focus on innovation and high quality manufacture, Sprue has grown rapidly since 1998 to become one of Europe's leading home safety products suppliers, extending its product range from smoke alarms into CO alarms and related accessories, with total sales in the year ended 31 December 2013 of £48.4 million (6.8 million units) of which:

- 55 per cent. were sold in the UK (£26.7 million);
- 39 per cent. were sold in Continental Europe (including relatively small exports into the rest of the world) (£18.6 million); and
- 6 per cent. were sold by Pace Sensors (£3.1 million).

Since 2005, the Company has grown rapidly and was named in the Sunday Times Virgin Fast Track 100 in each year from 2008 to 2012. Sprue markets and distributes products under its own distinctive brands (FireAngel, AngelEye and Pace Sensors) ('Sprue's Branded Products') and has the exclusive rights to distribute the brands of BRK Brands (First Alert, BRK and Dicon) throughout Europe.

Sprue markets its products into five key market segments: Continental Europe, UK Retail, UK F&RS, UK Utilities & Leisure, and UK Trade.

In 2013, Sprue enjoyed 72 per cent. sales growth into Continental Europe, principally from increased sales into Germany. Sales into Continental Europe are a combination of Retail, which includes the DIY channel, and Trade, with FireAngel and AngelEye becoming key brands for the Company in the region. The Company expects significant sales growth in France, where, as of March 2015, it will become a legal requirement for each domestic property to have at least one working smoke alarm.

Sprue has leading market positions in four of its five key segments, including estimated market shares of approximately 90 per cent. in the UK F&RS segment and 65 per cent. in the UK Retail segment. Sprue is also a leading supplier of smoke and CO alarms to B&Q, Robert Dyas, Tesco and Wickes, each of which has an online presence. A selection of Sprue's products can be bought online from all of these retailers.

The Directors believe that in the year ended 31 December 2013, Sprue had approximately 15 per cent. of the UK Trade market and expect this to increase in 2014, when the Company's new product range is expected to be launched, subject to approval from the relevant certification bodies. The Company's new range comprises a new brand of 230 volt mains powered smoke alarms based on its successful Thermoptek battery operated technology already adopted in products sold to the UK F&RS.

2013 saw significant growth in sales in the UK Utilities & Leisure market as a result of an exclusive agreement to supply CO alarms to British Gas (and Scottish Gas) and an agreement with Baxi to supply wireless CO sensing products that are connected via a relay switch to the household boiler and which automatically switch off the boiler in the event of CO detection.

Notice has been given of the Company's intention to withdraw the listing of its shares on the ISDX Growth Market and application has been made for the Enlarged Share Capital to be admitted to trading on AIM. The Placing will raise £8.0 million for the Group (approximately £7.2 million net of expenses) and approximately £4.0 million for the Selling Shareholders (approximately £3.9 million net of expenses) through the Placing of 4,000,000 New Ordinary Shares and 1,980,117 Sale Shares with institutional and other investors.

Application has been made to the London Stock Exchange for the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM, which is expected to occur on 30 April 2014. The net proceeds of the Placing receivable by the Company will be used to provide the Company with additional working capital to support sales growth across Sprue's markets, particularly in France, and to fund product development.

Prior to Admission, the Company's shares have been listed on the ISDX Growth Market (formerly known as OFEX and then the PLUS SX Market for Growth Companies ('PLUS')) and it was named PLUS 'Company of the Year' in both 2010 and 2012. It is expected that they shall be withdrawn from trading on the ISDX Growth Market on the business day prior to Admission.

The Business

Vision

Sprue's two founders, of whom Nicholas Rutter continues to work in the business as Managing Director, initially identified the UK smoke alarm market, and subsequently the UK CO alarm market, as attractive markets on which to focus their engineering and design expertise for the following reasons:

- a perceived general lack of brand awareness and hence little brand loyalty;
- insufficient care and attention being paid to the aesthetics of the product;
- proliferation of products based on old technology;
- products that were being actively disabled as a result of false alarms;
- basic inadequacies in the functionality of existing products;
- strict regulation in many jurisdictions and hence high barriers to entry for prospective competitors;
- the potential to manufacture cost effective alarms in Asia; and
- a potential global market with a growing customer base due to a heightened focus on safety in many countries and legislation driving sales.

Sprue's philosophy is simple: its products save lives. Sprue believes that everyone should be properly protected with affordable and reliable home safety products from a company with brands that the consumer can trust.

Outsourced manufacturing and assembly model

From the outset, Sprue outsourced the manufacturing and assembly of its finished products to third parties in China, retaining its focus on IP creation, designing, differentiating and branding its products. From start-up in 1998, Sprue has become one of the leading suppliers of smoke and CO alarms and related accessories in Europe within the space of 15 years.

Sprue uses three major suppliers for its smoke and CO detector products, most of which are manufactured and assembled in China. The recent appointment of an additional supplier in China should increase capacity, if required, and price competitiveness. Given its rapid growth, Sprue is now of the size where it is seeking to leverage its economies of scale to reduce product costs. The Directors believe that the outsourced manufacturing and assembly model is scalable to meet the needs of the business.

Technology and innovation

Sprue continues to build on its market leading positions in the home safety products markets that it serves by providing innovative, cost competitive, technologically advanced and aesthetically pleasing products. Continuous investment in product development and the expansion of its 'technology bookshelf', including its Thermoptek smoke sensing technology, CO sensing capabilities, its sealed battery for product life solution and proprietary wireless technology, which provides its products with wireless internet connectivity, have helped position the Group as one of Europe's leading home safety products suppliers with a portfolio of well recognised brands. Sprue's proprietary technology is a major part of its competitive advantage.

History of the Group

The Company's first product, the PS-101, plug-in smoke alarm branded 'FireAngel', was launched in 2001. This innovative smoke alarm fitted into a standard ceiling mounted light fitting and was initially sold in the UK by B&Q and other retailers, including Woolworths. The FireAngel brand has become a leading name in

battery-powered smoke alarms in the UK and is fitted by 50 out of the 53 UK F&RS. Sprue has continued to develop its product range to increase its addressable markets and improve its product offering.

The Company has steadily built a quality customer base of approximately 600 customers. Sprue's customer base includes the UK F&RS, large retailers including B&Q and Tesco, British Gas (and Scottish Gas), and dedicated distributors of its products in Continental Europe. The customer base is relatively broad and is spread over five different business units, further details of which are set out below.

Distribution Agreement with BRK Brands

In April 2010 Sprue entered into an exclusive distribution agreement with BRK Brands, a subsidiary of NYSE-listed Jarden, to distribute BRK Brands' entire range of smoke, CO and related safety products in Europe. BRK Brands' First Alert, BRK and Dicon brands are well established within the smoke and CO alarm markets in North America and Europe with long-standing distribution channels. As such, not only did the Distribution Agreement enable Sprue to offer a broader product range to its customers, but the agreement also enabled Sprue to establish a presence in both the UK Trade and the Continental European markets where the Company previously had little or no presence. Under the agreement, Sprue took over all of BRK Brands' European operations and staff, most of whom were based at an office and warehouse in Gloucester, and the Company distributes BRK Brands' products alongside its own throughout Europe in return for an annual distribution fee of £4.2 million. The initial agreement was for a minimum period of five years.

In March 2014, the Company entered into an initial three year extension to the 2010 Distribution Agreement, which comes into effect from 1 April 2015 and includes the following terms:

- the annual distribution fee payable to BRK Brands will be reduced to £3.5 million, £3.0 million and £2.9 million in each of the calendar years 2015, 2016 and 2017, respectively;
- the minimum term of the revised agreement is for three years to 31 March 2018, with 12 months' notice required by either party to terminate the agreement, otherwise the agreement automatically renews for further periods of 12 months;
- Sprue has also secured improved manufacturing terms from DTL, a Jarden group company, which supplies smoke alarms for Sprue's Branded Products as well as other associated accessories;
- the revised agreement includes improved credit terms from DTL; and
- purchase prices from DTL/CICAM are also fixed for two years from 1 January 2014.

On 7 April 2014, the parties to the Distribution Agreement entered into a clarification letter to clarify and give full effect to the terms contained within the heads of terms entered into between the parties dated 20 March 2014 for the purpose of, *inter alia*, extending the term of the Distribution Agreement for a minimum period of three years from 1 April 2015 to 31 March 2018. Further details of the terms of this clarification letter are set out at paragraph 10.5 of Part IV of this Document.

Key Milestones

Below is a timeline of the key milestones in Sprue's development from start-up to one of Europe's leading home safety products suppliers:

1998: Sprue's predecessor company, Runner and Sprue Limited incorporated;

2001: First production set up at CICAM;

2001: FireAngel PS-101 plug-in smoke alarm launched in B&Q;

2001: IPO and listing on OFEX (now ISDX);

2002: First public sector deal signed (with the London Borough of Islington);

2003: FireAngel PS-131 (Edison Screw version) the first Sprue product to be approved by US regulators;

2004: Distribution agreement signed with Pace Technology for CO detectors;

2006: Appointed sole supplier of a selected range of FireAngel branded products to Tesco;

2006: Began supplying long-life optical smoke alarms to UK F&RS;

2009: Acquisition of Pace Sensors;

2010: Appointed as exclusive European distributor for BRK Brands' products under the terms of the Distribution Agreement;

2012: Appointed sole supplier of a selected range of products to B&Q and as CO alarm supplier to British Gas/Scottish Gas;

2012: Exclusive collaboration agreement signed with Baxi;

2013: Launch of the AngelEye brand in France;

2014: Extension of the Distribution Agreement with BRK Brands on revised terms; and

2014: Agreement signed with Intamac Systems Limited to connect and remotely monitor Sprue's Wi-Safe 2 wireless home safety products over the internet.

The Market, Customers and Competition

The Market and Key Customers

Sprue markets its products into five key market segments: Continental Europe, UK Retail, UK F&RS, UK Utilities & Leisure, and UK Trade.

Sprue has a leading presence in both the UK Retail market and in Continental Europe through its network of distributors; is the principal supplier to 50 out of the 53 UK F&RS; and is targeting to grow its market share in UK Trade. Sprue's presence in Utilities & Leisure is increasing, although this sector represents a much smaller proportion of Sprue's revenue at 5 per cent. in 2013.

Continental Europe

Continental Europe is now Sprue's largest business segment and represented 39 per cent. of total sales in the year ended 31 December 2013, with sales up 77 per cent. on the preceding year. Sprue has a growing presence in the Continental European market selling products through a network of independent distributors in key countries. The Directors believe that legislative drivers continue to provide significant growth opportunities for Sprue, particularly in France where legislation is being introduced which mandates the installation of a smoke alarm in every domestic property from March 2015. The impact of this legislation, along with increased awareness more generally of the dangers of smoke and CO, is driving sales across Continental Europe.

- *Germany* – Sprue's smoke alarm sales increased significantly in the year ended 31 December 2013, while CO detector penetration levels remain relatively low, which, the Directors believe, may provide a further market opportunity for the Group. Growth in smoke alarm sales has been driven by the introduction of legislation on a state-by-state basis mandating the installation of smoke alarms and also an appreciation among consumers for high quality and well-engineered products. In 2013, the ST-620 Thermoptek smoke alarm came joint top in a test conducted by a leading consumer products association, Stiftung Warentest.

The mandatory installation of smoke alarms in certain German states began in 2006 and Sprue expects to see increasing demand as existing smoke alarms reach the end of their ten year life span and the replacement cycle begins.

Sprue's products are distributed in Germany by EPS under the terms of a distribution agreement, further details of which are set out in paragraph 10 of Part IV of this Document.

- *France* – The Directors believe that the Company's First Alert and AngelEye brands are well positioned to take advantage of the March 2015 deadline for the mandatory installation of smoke alarms in all domestic properties. The Directors believe that currently, as is the case with smoke alarm penetration, the market for CO detectors remains relatively immature compared to the UK. Sprue is gaining increasing traction in sales of its AngelEye brand to the DIY channel which the Directors believe represents a significant proportion of the French smoke alarm market by value. Onelec is the principal distributor of Sprue's products in France while Cordia, Eurofeu and Mapa SAS are other major distributors of Sprue's products in France. Sprue is currently in discussions with Castorama, a major French retailer, to expand its sales further, with a planned trial in 50 of its stores starting later this year.
- *Benelux* – This is a well-established market where a significant proportion of homes are already using smoke and CO alarms. This has led to a strong replacement market and combination units (dual smoke

and CO alarms) have proved to be popular among consumers. Feeder One BV is the main distributor of Sprue's products in the Benelux.

UK Retail

Sprue has a number of sole supply contracts with major UK retailers and the Directors believe that the Company is the market leader in this segment. Sales by value increased in the year ended 31 December 2013 by 22 per cent. compared with the preceding year, reflecting the full year benefit of the agreement signed with B&Q in 2012, further details of which are set out in paragraph 10 of Part IV of this Document. This segment represented approximately 24 per cent. of total Group sales in the year ended 31 December 2013. Sprue supplies a wide range of smoke and CO alarms and accessories, primarily from the FireAngel, First Alert and DICON brands and order values from the retailers tend to be relatively large and fairly predictable, except for periods following major or well-publicised smoke or CO incidents which can create spikes in demand.

In September 2012, the Company entered into a three year agreement with B&Q to become its sole supplier of smoke and CO safety products and accessories. Sprue is also sole supplier to both Wickes and Robert Dyas and renewed an agreement in 2013 to supply Tesco with the First Alert range of products as preferred supplier.

The Directors believe that UK Retail sector sales have benefitted from greater awareness of the importance of smoke and CO alarms, in part due to widely publicised safety campaigns led by the UK Government.

UK Fire & Rescue Services

Sprue sells products to all of the UK F&RS' 53 brigades. All but three of these brigades use only FireAngel smoke alarms and accessories for the hearing impaired. Sprue was successfully listed on all of the framework agreements that replaced the national Firebuy framework in 2013 and continues to maintain relationships with the major metropolitan brigades. Sprue continues to work closely with UK F&RS to design and develop products that are cost-effective and simple to install.

The Directors believe that closer collaboration with UK F&RS and local authorities for the provision of fire safety solutions for vulnerable members of the community, such as the elderly, will provide further market opportunities for Sprue's product range. UK F&RS are moving towards targeted home safety checks aimed at the most vulnerable members of society; the Directors believe that the expansion of the Wi-Safe 2 range, alongside Sprue's products tailored for use by the elderly and hard of hearing, will assist the Group's plans to remain a leading supplier to this market sector.

Sales into the UK F&RS segment have been affected by public sector budget cuts over the last few years. Although sales of smoke and CO alarms have held up reasonably well, as preventative devices help to avert costly fires, the Directors expect sales to this segment to decline gradually and this has been factored into Sprue's internal sales forecasts.

Utilities & Leisure

Sales into the Utilities & Leisure segment continue to gain momentum and increased by approximately 30 per cent. by value in the year ended 31 December 2013 compared with the previous year, following Sprue's appointment in December 2012 as supplier of CO alarms to British Gas/Scottish Gas. Sprue developed a customised CO detector that is sold by gas engineers carrying out at-home boiler repairs and maintenance and which is marketed online by British Gas/Scottish Gas as part of its customer retention initiatives. These CO alarms are dual branded as 'Pace Sensors/British Gas' or 'Pace Sensors/Scottish Gas' products. Most of Sprue's sales by this business unit are CO alarms.

In addition, in December 2012, Sprue entered into an agreement with Baxi Heating UK Limited, the European boiler manufacturer and distributor, to develop an emergency cut-off system utilising Sprue's CO sensing technology and which is potentially compatible with all gas boilers. This agreement led to the launch in 2013 of the 'noCO flues in voids solution', developed by Sprue in collaboration with Baxi which includes a relay switch to cut off the supply of gas to the boiler when CO is detected. Baxi products using Sprue's technology are branded noCO, Baxi's own brand. Sprue is working closely with Baxi in driving further sales momentum for this product.

Sprue has a presence in the leisure market through sales to Carafax, a leading distributor of smoke and CO products to the caravan, camping and leisure industries.

UK Trade

The Directors believe that the UK Trade segment represents a significant potential growth opportunity for Sprue. Prior to entering into the Distribution Agreement with BRK Brands, Sprue's primary focus had been on battery powered products for the UK market. The Distribution Agreement provided Sprue with access to the UK Trade market with the BRK brand of mains powered products. Sprue is now seeking to leverage this customer base and its market knowledge with a new range of products.

Sprue's principal customers in the UK Trade segment include wholesalers such as Edmundson Electrical Limited, Wolseley UK Limited, Newey & Eyre (a brand of Rexel UK Limited) and Travis Perkins plc. The UK Trade sales team also directs its marketing efforts at house builders, social landlords and housing associations.

The CO Detector Market

CO detectors have come to represent an increasing proportion of the Group's total sales and Sprue designed CO detectors are sold into each of the Group's key market segments. Sprue substantially increased its sales of CO safety products in the year ended 31 December 2013, following the agreement signed with British Gas/Scottish Gas in December 2012. CO detector market penetration remains low in both the UK and Continental Europe and the Directors believe that this presents a significant market opportunity for the Group; figures released by the All Party Parliamentary Gas Safety Group in 2011 estimated CO detector penetration of only 12 per cent. in the UK. These figures were supported by a study conducted in 2012 by Liverpool John Moores University, in conjunction with Merseyside F&RS, West Midland F&RS and Coventry City Council, which found that only 3 per cent. of homes in Coventry and 10 per cent. of homes in Merseyside had a CO detector installed.

The Directors believe that Sprue's agreements with British Gas/Scottish Gas and Baxi, alongside its innovative CO detection products which include the Gen 1 CO sensor with 10-year sealed for life technology and the Nano-905, to be launched soon, subject to regulatory approval, will help the Group to continue to perform strongly in this market segment.

Competition

Suppliers into the smoke and CO alarm and accessories markets in Europe are fairly concentrated. The Directors are aware of two major competitors, being Kidde Fire Safety and Ei Electronics, which, along with a number of other smaller competitors across Europe, comprise Sprue's principal competition. Barriers to entry remain high, with certification of certain products being required.

Kidde

Kidde, based in the USA, is one of the world's largest manufacturers of fire safety products and is a subsidiary of United Technologies Corporation, a Fortune 500 company. Kidde produces residential and commercial smoke alarms, CO alarms, fire extinguishers and other safety products. Kidde is among the Group's key competitors in the Retail segment and previously supplied a number of UK F&RS, most of which business, the Directors believe, alongside a portion of Kidde's UK Retail business, has subsequently been won by Sprue.

Ei Electronics

Ei produces a range of residential fire safety products which are designed and manufactured at its facility in the Republic of Ireland. Ei's products, sold mainly under the AICO brand in the UK, are focused on mains-powered smoke alarms and the company is the leading supplier to the residential mains powered UK Trade market.

Brands

Sprue's 'House of Brands'

Sold under six complementary brands, Sprue's range of products is comprehensive, allowing the Company to tailor the range of smoke alarms, CO alarms and associated accessories it offers to suit the needs of each customer across its target market segments.

Sprue's Branded Products, marketed under the FireAngel, AngelEye and Pace Sensors brands, represent the majority of Sprue's overall sales. In addition, the Group intends to launch a new brand targeted at the UK Trade segment in 2014. Sprue's Branded Product smoke and CO alarms are designed and developed by Sprue's in-house team of engineers based in the UK and are manufactured under contract at facilities in China. Sprue also sells and distributes First Alert, BRK and Dicon branded products throughout Europe under the terms of the Distribution Agreement. All product sales to the UK F&RS and UK Utilities & Leisure segments are Sprue's Branded Products, and the majority of sales into the UK Retail and Continental Europe segments are also of Sprue's Branded Products.

The Brands

FireAngel – a market-leading and innovative battery operated alarms principally targeted at UK Retail and UK F&RS customers.

AngelEye – launched in 2012 to sell, market and distribute Sprue engineered smoke alarms and CO detectors principally into the French market. AngelEye has become a leading brand targeted at the DIY channel in France, which the Directors believe represents approximately 90 per cent. of the French market by value.

Pace Sensors – CO sensors used within Sprue's CO products are developed by Pace Sensors, Sprue's wholly owned subsidiary in Canada. Pace Sensors' CO sensors are used within all FireAngel, AngelEye and Pace Sensors CO detectors and certain First Alert branded CO detectors.

First Alert – with over 40 years' experience in manufacturing safety products, First Alert is a known global brand in home safety, selling approximately 14 million smoke alarms annually worldwide. First Alert is a BRK Brands brand and its range also includes ancillary safety products, including fire extinguishers, fire blankets and fire safes. First Alert is marketed as a 'heritage' brand due to its long-term presence in the fire safety market.

BRK – targeted at wholesalers, specifiers and electrical installation professionals, BRK offers a comprehensive range of 230V mains powered smoke, heat and CO alarms.

Dicon – a BRK brand targeted at customers focused on value.

Sprue's Technology and Key Products

Sprue's 'technology bookshelf'

Since the launch of the FireAngel product in 2001, Sprue has sought to be at the forefront of new developments in the smoke alarm and CO detector markets. Sprue continues to innovate and invest in new product development to assist in its plans to continue to add to its growing 'technology bookshelf'.

Sensing Technology

Thermoptek

Sprue's Thermoptek technology combines optical and temperature sensors to provide a 'smarter' alarm. This sensing technology produces a more balanced response than traditional optical alarms; the alarm increases in sensitivity following an increase in the ambient room temperature, aiming to provide improved protection from all types of fire. Sprue also markets optical products as its 'toast-proof' solution as this technology can help to reduce nuisance alarms.

FireAngel ST-620 Range

Sprue employs its Thermoptek technology in the FireAngel ST-620 alarm. The ST-620 is among the Group's best performing products and is one of the UK's highest selling smoke alarms. As a FireAngel product, the ST-620 was designed and developed by Sprue's team of UK engineers and is powered by an internal lithium power pack with a 10 year life which is automatically activated when the alarm is locked into its mounting plate and is 'sealed for life'. The product has been a key factor in the Group's strong performance in Germany where it received the joint highest score in testing by a leading German consumer products association, Stiftung Warentest, in February 2013.

Follow-on models launched include the ST-622, which incorporates a 'Sleep Easy' function, allowing the alarm to be silenced for a period of time in the event of a low battery warning, and the WST-630, which incorporates Sprue's Wi-Safe 2 connectivity and 10-year sealed for life technology.

Connectivity and 'the internet of things'

Wi-Safe 2 and internet connectivity

Sprue's Wi-Safe 2 wireless technology enables two-way communication between alarms and other wireless devices. As wireless devices come to play an increasingly central role in the home environment, the Directors believe that the potential applications for Wi-Safe 2 are likely to increase as customers look for a more holistic and integrated solution to their home safety needs. Sprue's recently announced agreement with Intamac Systems Limited ('Intamac') to connect and remotely monitor Sprue's wireless home safety products over the internet is an example of the new market possibilities offered by Sprue's product offering.

Sprue's Wi-Safe 2 technology allows up to 50 alarms to be inter-linked in a single meshed wireless network meaning that, if any alarm in this network is triggered, all other linked alarms will sound, providing an earlier and wider warning of a fire. Sprue's Wi-Safe 2 technology can link to other Wi-Safe 2 compatible fire safety devices, such as the Wi-Safe 2 combined strobe and vibrating pad to provide a tailored solution to fire safety for those who are hard of hearing.

Wi-Safe 2 vibrating pad and strobe

The vibrating pad and strobe is part of the Wi-Safe 2 range of products and is used in conjunction with the WST-630 Wireless Thermoptek smoke alarm. In addition to the audible sound from the smoke alarm, a vibrating pad and strobe is triggered to alert someone who may not be able to hear the audible alarm. The flashing strobe provides a visual warning, while the vibrating pad is designed to be placed under a pillow or a mattress and is suitable for assisting in waking an individual to alert them when an alarm sounds.

Sprue's recently announced 'Connect Safe Home' solution, developed in conjunction with Intamac, will allow its customers to monitor the status of wirelessly connected home safety products using a smartphone, PC or tablet with a specifically developed app. The 'Connect Safe Home' product offering will be supported by Intamac's established cloud-based technology platform and operate under licence.

Further applications of this technology include the ability to carry out diagnostic tests on Wi-Safe 2 alarms remotely to assist in reducing the time and expense of testing alarms manually. This is especially relevant in jurisdictions, such as Germany, for example, where landlords are required by law to conduct annual smoke alarm tests. Similar legislation is under consideration in the UK.

CO detection

Sprue's CO sensors, produced by Pace Sensors in Canada, utilise carbon loaded plastic to enable the conduction of signals from the core of the sensor to external circuits, greatly reducing the risk of leakage which can be a common fault in such electrochemical sensors. This patented technology is central to the Company's Gen 1 CO sensor and the new miniaturised Nano-905 sensor. Both sensors have undergone extensive testing both in Europe and the US, and are listed by Underwriting Laboratories LLC, a leading US safety consulting and certification body, as recognised components suitable for use in domestic CO detectors in the US.

Nano-905 CO Sensor ('Nano')

Nano is a miniaturised version of Pace Sensors' Gen 1 CO sensor and is in the final stages of in-product certification for sale in the UK and Europe. It is expected to be included in products later in 2014. Nano is being produced alongside the Gen 1 CO sensor at the Pace Sensors facility in Canada.

The Group has spent approximately £1.0 million over the last three years to miniaturise its existing Gen 1 CO sensor and has invested a further £0.1 million in capital expenditure to introduce a second production line at its Pace Sensors facility in Canada to enable the production of the Gen 1 CO sensor and the Nano CO sensor on separate dedicated assembly lines. The original Gen 1 CO sensor will continue to be used in ten-year CO detector variants introduced this year.

There is no guarantee that certification will be successful or that certification will be achieved in 2014. However, the Group has wide experience of certification and other legislative requirements and expects these requirements to be satisfied by the end of 2014.

Battery powered solutions

Sealed for life

Sprue has developed a range of smoke and CO 'sealed for life' products which will last for either seven or ten years. The key advantage of 'sealed for life' products is that users do not have to replace the battery during the life of the alarm, saving money, improving convenience and reducing the possibility of alarms having batteries removed thus rendering them useless in an emergency.

A new range of products for UK Trade

Sprue's new range of UK Trade products is due to be available during 2014, subject to obtaining the necessary certification.

The range is more energy efficient than conventional mains powered alarms. The patent pending technology in this new range assists in reducing electricity costs and the carbon footprint of the alarm over its useable life. The development of the new range is an important element of Sprue's efforts to win further market share in the UK Trade segment.

Legislative Drivers

The movement towards increased smoke and CO safety legislation is evident in certain European jurisdictions (for example in France, Germany (in certain states) and the UK). The Directors believe that this will increase the overall size of the smoke and CO alarm market in Europe and, furthermore, that Sprue is well positioned to take advantage of this opportunity. These developments, along with brief details of certain legislative changes in other jurisdictions are outlined below.

EU Standards

As of July 2013, all fire detection and smoke alarm systems sold in the EU, including domestic smoke alarms, must comply with the Construction Product Directive 89/106/CE which mandates that all fire detection and smoke alarm equipment is certified by an independent, accredited third party certification body. This certification allows free movement within the EU market and is a legal condition of sale. The Directors anticipate that this drive towards higher standards should benefit longstanding producers of high quality products such as Sprue, and provide barriers to entry for other products including cheaper, 'copy-cat' products that might otherwise be brought to market.

The European standard for domestic CO alarms EN50291 is currently under review and the Directors anticipate that CO detectors will fall under the requirements of Construction Products Directive 89/106/CE within approximately two years.

France

As of 8 March 2015, each domestic property in France will be legally required to have at least one working smoke alarm installed. Sprue anticipates that this will lead to increased orders in late 2014 and early 2015 as this deadline approaches. Sprue expects there to be a significant market opportunity in the short and medium term from domestic properties in France.

Germany

Legislation requiring the installation of at least one smoke alarm in every domestic property in Germany is being implemented on a state-by-state basis. Baden-Württemberg, Germany's third most populous state with approximately 10.7 million people, was the most recent state to implement the policy. Three German states, Berlin (population: approximately 3.3 million), Brandenburg (population: approximately 2.5 million), and Sachsen (population: approximately 4.0 million), are still to enact smoke alarm legislation and, as such, there is scope for further market opportunities as the legislation comes into force in these states. As outlined above, the Directors believe that further market opportunities should arise for Sprue as the replacement cycle for smoke alarm products that have come to the end of their life-span begins to gather pace.

UK

Legislative changes relating to flues in voids came into effect on 1 January 2011; the Directors believe that there are over 200,000 hidden flues in properties in the UK. Where a hidden flue is identified, either unsightly and expensive inspection hatches must be immediately installed or otherwise the property owner must fit an automatic system to disable the boiler if CO is detected. The 'noCO flues in voids solution' which Sprue has developed in collaboration with Baxi was, in part, a response to this legislation.

An amendment to the UK Building Regulations, which was introduced in October 2010, requires the fitting of a CO alarm whenever a new solid fuel appliance is installed. Legislation in Northern Ireland has stated, since 31 October 2012, that whenever a new or replacement combustion appliance is fitted in a property, a CO alarm must also be fitted.

In October 2013, a law requiring a CO alarm to be fitted whenever a new or replacement boiler or other fixed combustion appliance is installed came into force in Scotland. The Directors believe that this legislation could help to boost Sprue's sales into both the UK Trade and the Utilities & Leisure segments.

Fire Safety

Fire related casualties are an ongoing concern

Fire and smoke continue to cause a significant number of casualties and fatalities in the UK and Europe. These concerns have been borne out by increasing legislation concerning the fitting of smoke alarms in residential properties in certain European countries referred to above.

Smoke alarms, as fire and rescue services across the UK recognise, play a key role in reducing the number and seriousness of casualties caused by fire and smoke. The UK Department for Communities and Local Government compiles statistics on the level of fire related fatalities and casualties in England and, over the course of the six months from April to September 2013, there were 140 fire related fatalities and a further 1,664 non-fatal casualties who required treatment at hospital.

Although the level of fatalities and injuries increased for the six months from April to September 2013 against the corresponding period in 2012, the decline in fire and smoke related casualties over the last decade is significant. The UK Department for Communities and Local Government set out in its regular Fire Statistics Monitor report for England in January 2014 that it considers the downward trend in fire related casualties and incidents over the last decade to be largely the result of successful fire safety and prevention action, with the increased prevalence of smoke alarms cited as a factor.

Fire Statistics Monitor reports indicate that during the twelve months from April 2012 to March 2013 there were 271 fire related fatalities. Of these fatalities, 62 per cent. were classified as having occurred in accidental dwelling fires which smoke alarms are designed to warn against. The number of fatalities over that period in 2012-13 represents a fall of 25 per cent. from the fatality levels experienced in the corresponding period in 2002-3. Furthermore, the 2,830 non-fatal fire casualties experienced over that period in 2012-13 is a reduction of 54 per cent. on the non-fatal fire casualties reported for the corresponding period in 2002-3.

Sprue's role in fire safety education

Sprue uses high-impact packaging and targeted marketing campaigns to educate consumers to ensure that they are able to readily identify the most suitable products to safeguard against the dangers of smoke, fire and CO. As a partner of the Central Office for Information and CO awareness groups, Sprue supports high profile campaigns, such as *Fire Kills* in the UK and *Fire Safety Week* in the Netherlands, helping to raise further awareness of key safety messages and reinforcing safety campaigns. Sprue produces a range of displays for its largest retail partners, such as B&Q and Tesco, with smaller counter-top options developed to service the requirements of retailers with limited space.

Sprue's role in educating the consumer on the dangers of CO include its support of the Gis A Hug Foundation, a Northern Ireland based charity which aims to raise awareness of the dangers of CO poisoning while also targeting campaigns at groups including landlords, local authority staff, schools and UK FR&S. Sprue recently pledged to donate one CO alarm to the Gis A Hug Foundation for every twenty FireAngel CO-9XT alarms sold by wholesalers and merchants which have signed up to the campaign.

Defensibility

Smoke alarms and CO detectors are products people depend upon to give reliable warning of potentially life threatening accidents and, as such, are subject to thorough testing prior to independent third party certification. Meeting the required standards and acquiring certification are conditions of sale within the EU. The Directors believe that not only do these rigorous tests protect consumers from low quality, 'copy-cat' products, but also provide some comfort to the manufacturers of high-quality products, such as Sprue, that cheap and inferior products will not flood the market. In light of this, Sprue is willing to maintain its investment in research and to continue to seek to develop new products and improve its existing range. Sprue's smoke

alarms and CO detectors are required to meet EU standards on environmental impact, sensing performance, battery life and sound output requirements alongside more specific criteria, which are set out below.

Every variant of Sprue's smoke alarms is independently tested and approved to EN14604, the harmonised European standard for smoke alarm devices. In the UK, certification tests on Sprue's products are conducted either by BSI Group or the Loss Prevention Certification Board ('LPCB'), while in France and Germany certification is provided by NF and VdS respectively. The certification trials cover a wide range of conditions and scenarios and include testing for:

- sensitivity to smoke in calibrated smoke tunnels;
- alarm response to smoke entering the product from all directions;
- performance across a range of standardised fire tests;
- continuing operation over a range of temperatures from 0°C to 55°C; and
- correct operation at 93 per cent. relative humidity.

Sprue's CO detectors are independently tested and approved to the EN50291-1 harmonised European standard relating to 'electrical apparatus for the detection of CO in domestic premises'. These certification tests include:

- measuring responses to various concentrations of CO: 33ppm, 55ppm, 110ppm and 330ppm;
- response to CO at -10°C, +20°C and +40°C;
- sensor resistance to 'poisoning' from very high levels of CO;
- continuing performance under temperature and humidity extremes; and
- long term stability testing to ensure that the alarm behaves normally during and after exposure to low levels of CO over three months.

Research and Development

Sprue uses its core technology to configure a range of differentiated products at various price points and create specialist applications where required to meet customer demand. The Company invests significantly in research and development and the Directors intend to maintain this level of investment over the coming years. The Directors believe that the success of the Group's research and development policy is evident in the strength of Sprue's Branded Products range and in the pipeline of new products that are due to be launched later this year and beyond, further details of which have been set out in the paragraphs entitled Sprue's Technology and Key Products.

Intellectual Property Rights

In keeping with its aim to be at the forefront of technology in the smoke alarm and CO sensor market, Sprue recognises the need to protect its Intellectual Property to maintain its competitive advantages.

The Group has a portfolio of 80 patents, 54 of which have been granted, and the remainder of which are pending. These patents are in a number of jurisdictions including Europe, the UK and the US. The Group also has 32 designs (28 of which are registered and 4 are pending) and 19 trademarks registered with a further five trademarks pending registration. One of the five trademarks pending registration has been opposed. Further details of the Group's Intellectual Property are set out in paragraph 11 in Part IV of this Document.

Strategy

The Company seeks to build a leading position in each of the market segments which it serves by providing innovative products at affordable prices and customer choice with a 'house of brands' consumers can trust. The Group will continue to utilise its core technology to configure a range of differentiated products at various price points whilst creating specialist applications.

Suppliers

The Group has three key suppliers, with which it has long standing relationships: BRK Brands, DTL/CICAM and Pace Technology.

BRK Brands

Under the terms of the Distribution Agreement, BRK Brands supplies First Alert, BRK and Dicon branded products to the Group for sale in Europe. The Distribution Agreement was extended on revised terms and will now run until at least 31 March 2018.

DTL/CICAM

Sprue has an exclusive smoke alarm and Wi-Safe 2 supply agreement with DTL.

Pace Technology

Sprue's CO detectors are manufactured by Pace Technology, an independent company with manufacturing facilities in China. Pace Sensors, the Group's wholly owned Canadian subsidiary, manufactures all of the CO sensors used in the CO detectors sold by Pace Technology to Sprue. Prior to its acquisition by Sprue, Pace Sensors was owned by Pace Technology.

EVE

SSPL also contracts with EVE, a Chinese manufacturer that has historically provided the Company with 10 year lithium batteries. SSPL has recently signed an agreement with EVE regarding finished product manufacturing.

Directors, Senior Management and Employees

Directors

Graham Whitworth, Executive Chairman and Group Chief Executive Officer, Aged 60

Prior to investing as a seed investor in Sprue, Graham developed a diverse set of international business skills from the corporate boardroom to his own start up. Graham has worked in a number of high technology businesses, initially in engineering and then IT based design technology roles, where he led a number of strategic initiatives and directed many multi-million dollar contracts with leading blue chip companies across a diverse set of industries with ComputerVision Corporation, a leading US CAD/CAM provider. From the late 1980s Graham was Sales Director, Managing Director and then Executive Vice-President, before leaving in 1997. In 1998, Graham started his own company which he later merged with Division Plc where he became Managing Director before disposing of the enlarged business to Parametric Technology in 2000. Graham led the Sprue IPO and has been the Chairman and Group Chief Executive Officer since 2001. Graham's principal focus has been, and remains, leading the overall business strategy of the Group.

Nicholas ('Nick') Rutter, Managing Director, Aged 42

Nick is one of the co-founders of Sprue; he began his career with Sprue as Technology Director before being appointed Managing Director in 2008. Nick's design skills and product vision have fundamentally shaped Sprue's product offering, pushing the development of the Group's product technology and design. Prior to co-founding Sprue, Nick achieved a BA in Industrial Design from Coventry University and worked as a product designer based in Hong Kong, designing portable audio products for Philips.

John Gahan, Group Finance Director, Aged 44

John joined Sprue in January 2010 and was appointed to the Board in April of that year. Qualifying as a chartered accountant with KPMG in Birmingham, John worked in the Transaction Services Department performing financial due diligence on corporate acquisitions. John has also worked in senior financial, operational and M&A roles with GKN plc and at Clearwater Corporate Finance. John lived in Singapore for four years where he was the Regional Finance Director and Regional Mergers and Acquisitions Director for GKN Driveline Driveshafts. John is a Fellow of the Institute of Chartered Accountants for England and Wales.

John Walsh, Business Development Director, Aged 62

John joined Sprue in 2002 and was originally based in Canada before transferring to the UK in 2005 to lead the Group's expansion into new market segments, including UK F&RS in particular. John, who was appointed to the Board in December 2005, has held senior executive roles in the domestic home safety sector both in the UK and North America since 1987 when, as Managing Director of Dicon, he was instrumental in the campaign to widen smoke alarm use in the UK. John holds dual UK and Canadian citizenships and is leading the Group's CO sensor project as President of Pace Sensors.

Peter Brigham, Technical Director, Aged 45

Peter joined Sprue in 2008 and was appointed to the Board in July 2010. Peter's previous positions include those of Engineering Manager at Goodrich Engine Control Systems in the aerospace division and Engineering Manager at TRW Automotive. Peter has over 26 years' experience in electronics and software, specialising in the development and manufacturing of safety critical systems. Peter has an MSc (Eng) from the University of Birmingham and is a Chartered Physicist with The Institute of Physics.

Peter Lawrence, Non-executive Director, Aged 80

Peter was among the founding shareholders of Sprue and was a seed investor in the Group before joining the Board in 2000. Prior to his involvement with Sprue, Peter was Chairman of Associated British Industries plc, a group of chemical companies manufacturing waxes, resins, sealants and adhesives, from 1970 to 1995. Associated British Industries plc had subsidiaries in Belgium, France and the US supplying the rubber, automotive, plastics and paper packaging industries among many others. Associated British Industries was sold in 1995 and eventually became part of Honeywell International Inc.

William Payne, Non-executive Director, Aged 48

William joined the Sprue Board in 2000 and acted as its finance director until January 2010. William is a partner at the chartered accountants, Wilkins Kennedy LLP, where he acts for a broad range of clients across various industry sectors, providing audit and assurance advice to clients as well as assistance in planning, reporting and compliance. Having obtained an accounting degree from Exeter University, William qualified as a chartered accountant with what is now part of KPMG in London. William was made a partner at WH Payne & Co in 1991, prior to its merger with Wilkins Kennedy in 2003. William is also a director of a number of companies, including Ariana Resources plc, which is quoted on AIM.

Ashley Silverton, Non-executive Director, Aged 54

Ashley was appointed to the Board in February 2011 and is jointly nominated by Sprue and BRK Brands. Ashley has worked for Brewin Dolphin and its predecessor firms for more than 25 years and has represented Brewin Dolphin at the National Association of Pension Funds. Having joined a City based stockbroking partnership after graduation, he was elected to Membership of the Stock Exchange in 1985 and is a Fellow of the Chartered Institute for Securities & Investment. Throughout his career Ashley has specialised in investment management for private clients and charities. Ashley has served as a committee member of the FTSE/WMA Private Investor Indices. Ashley was previously Head of the Brewin Dolphin London office and a member of the Advisory Board.

Thomas Russo, Non-executive Director, Aged 60

Thomas was appointed to the Board in September 2011 and represents BRK Brands. Thomas has been President and CEO of BRK Brands Inc./First Alert (Aurora, Illinois), a subsidiary of Jarden, since 2006. Thomas has been a noted business leader in the home safety category for more than 25 years.

For so long as Jarden and its affiliates hold at least 12 per cent. of the Ordinary Shares of the Company, Jarden has the right, at any time, to appoint and maintain in office (subject to the Articles) a director (the 'Jarden Director'), to remove any director so appointed and, upon his removal (whether by Jarden or otherwise), to appoint another person to act as the Jarden Director in his place. The current Jarden Director is Thomas Russo.

Further, for so long as there is a Jarden Director, the Board must appoint and maintain in office a person (such person to be subject to the approval of Jarden, such approval not to be unreasonably withheld or delayed) as an independent director (the 'Neutral Director'), to remove any director so appointed and, upon his removal, to appoint another director in his place. Subject to Jarden's approval, the Neutral Director is to be appointed by a majority vote of the other directors and may be removed at any time upon the vote of a majority of the directors other than the Neutral Director. The current Neutral Director is Ashley Silverton. Further details of the terms of appointment of the Jarden Director and the Neutral Director are set out in Part IV of this Document.

As part of the Admission process, the Board has undertaken a review of its size and composition and is intending to make the following changes. Immediately before Admission, Mr Peter Brigham and Mr John Walsh, both executive Directors, will resign as Directors and step down from the Board but will remain as members of the Group's senior management team. Mr Peter Lawrence, a non-executive Director, has indicated his intention to resign as a Director and step down from the Board in due course upon the

appointment of a suitable replacement. In addition, within 12 months of Admission, the Company intends to appoint a Chief Executive Officer, and upon such appointment, Mr Graham Whitworth will remain as Chairman.

Senior management

Jackie Duckham, Group Operations Director, Aged 62

Jackie joined Sprue in 2001 as Finance & Administration Manager having previously held senior roles in Treasury & Finance with Rover Group. Jackie was appointed Group Operations Director in January 2010. Prior to joining Sprue, Jackie worked for Computervision, a leading CAD/CAM provider where she headed up the order management and distributor operation teams.

Phillip ('Phil') McQuillen, Technical Support Director, Aged 40

Phil joined Sprue in October 2013 and is head of its Technical Support Teams. Prior to joining the Company, Phil gained 13 years' experience in a range of customer-facing senior management roles across a range of utility and telecom companies, including 9 years at Severn Trent Water. Phil specialised in complaint handling, service, sales, outsourcing, program management and customer processes through the implementation of new solutions with smart technology, people and process advancement.

Employees

The Group currently has 140 employees. For further details, including a breakdown of employees by category of employment, please see paragraph 9 of Part IV of this Document.

Corporate Governance

The Directors recognise the importance of sound corporate governance and confirm that, following Admission, they intend to comply, so far as practicable and to the extent appropriate for a company of its size, with the recommendations in the QCA Guidelines, which have become a widely recognised benchmark for corporate governance of smaller quoted companies, particularly AIM companies.

Following Admission, the Board will hold around nine meetings a year to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. There are Audit and Remuneration Committees in place with formally delegated duties and responsibilities and with specific terms of reference. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Due to the size of the Group, the Directors have decided that issues concerning the nomination of directors will be dealt with by the Board rather than a committee but will regularly reconsider whether a nominations committee is required.

The Audit Committee comprises William Payne (Chairman), Ashley Silverton and Peter Lawrence. The Remuneration Committee comprises William Payne (Chairman), Peter Lawrence, Ashley Silverton and Graham Whitworth.

The Audit Committee determines the terms of engagement of the Group's auditors and will determine, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

The Remuneration Committee reviews the scale and structure of the executive Directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive Directors are set by the entire Board.

Following Admission, the Board will be responsible for monitoring the Group's risks and implementing other systems which are deemed necessary.

Financial Record

The following table sets out key financial information relating to the Group for the three years ended 31 December 2013. The figures in the table below have been extracted without material adjustment from the historical financial information of the Group set out in Part IIIB of this Document:

	2011 £'000s	2012 £'000s	2013 £'000s
Revenue	33,486	37,806	48,357
Operating profit*	3,223	3,517	5,079
Net profit*	2,560	2,605	4,138
EPS (diluted) (p)	6.59	6.89	10.24

*Operating profit and net profit in 2013 are stated after exceptional bid defence costs of £0.4 million.

Current Trading and Prospects

The Company has announced record sales for the year ended 31 December 2013. The first quarter of 2014 has been another record start to the year for Sprue, building on a strong first quarter last year. Continental Europe and UK F&RS market segments have both performed ahead of budget, while UK Retail had a slow start to the year compared to budget. Gross margin in the first quarter was in line with the Board's expectations.

The second quarter has started very strongly with a record sales order book. The Board remains confident of the outlook for 2014 and of another successful year.

Reasons for the Placing, Use of Proceeds and the Move to AIM

The net proceeds of the Placing receivable by the Company, of approximately £7.2 million will be used to provide additional working capital to support sales growth across Sprue's markets, particularly in France, and to fund product development. With a 30 per cent. increase in sales in the year ended 31 December 2013, the Company required additional working capital of £3.2 million at the end of the year.

The Company is seeking to move from ISDX to AIM in order to take advantage of AIM's higher profile, broader investor base, greater liquidity and greater access to institutional investors for the Placing and any future potential fundraising.

The proposed move from ISDX to AIM follows Sprue's successful defence in May 2013 of the hostile bid made by BRK Brands for those shares in the Company that it did not already own. As part of the bid defence, the Independent Directors committed to seek shareholder support to move Sprue's listing from ISDX to AIM within twelve months. Having consulted with and subsequently secured broad Shareholder support, the Board decided to effect the transfer to AIM in 2014 following the publication of its financial results for the year ended 31 December 2013.

Lock-in Arrangements

Under the terms of the Placing Agreement, each of the directors of the Company as at Admission has undertaken to the Company and Westhouse Securities, subject to certain customary exceptions, not to dispose of their respective interests in Ordinary Shares in the 12 month period following Admission other than with the prior written consent of the Company and Westhouse Securities (such consent shall not be unreasonably delayed and may only be withheld in circumstances that such transaction would or might reasonably be expected to create a disorderly market in the Ordinary Shares). John Walsh and Peter Brigham have undertaken not to dispose of their respective interests in Ordinary Shares in the 12 month period following Admission other than through Westhouse Securities subject to certain exceptions.

The Placing

Pursuant to the Placing Agreement, Westhouse Securities has agreed conditionally to use its reasonable endeavours as agent of the Company to place 4,000,000 New Ordinary Shares (representing approximately 8.8 per cent. of the Enlarged Share Capital) at the Placing Price, which is expected to raise proceeds for the Company of £8.0 million before expenses (approximately £7.2 million net of all expenses). In addition, Westhouse Securities has agreed conditionally to use its reasonable endeavours as agent of each Selling

Shareholder to place, in aggregate, 1,980,117 Sale Shares at the Placing Price, which is expected to raise aggregate proceeds for the Selling Shareholders of approximately £4.0 million before expenses (approximately £3.9 million net of all expenses).

The Placing, which is not underwritten, is subject to the satisfaction of conditions set out in the Placing Agreement, including there being no material breach of the warranties set out in the Placing Agreement prior to Admission and Admission occurring on or before 8.00 a.m. on 30 April 2014 (or such later time and/or date as may be agreed between Westhouse Securities and the Company, being not later than 16 May 2014). The Placing Agreement contains a provision entitling Westhouse Securities to terminate the Placing at any time prior to Admission in certain circumstances.

The New Ordinary Shares will be credited as fully paid and will on issue rank *pari passu* in all respects with each other and the Existing Ordinary Shares and will rank in full for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company. Upon Admission the Ordinary Shares will be freely transferable.

Further details of the terms of the Placing Agreement are set out in paragraph 10.1 of Part IV of this Document.

Dividend Policy

Due to the Company's strong earnings growth, the Group has historically maintained a progressive dividend policy which it proposes to continue following Admission.

Share Dealing Code

With effect from Admission, the Company will adopt a code consistent with Rule 21 of the AIM Rules and the terms of the Model Code to regulate dealings in the Ordinary Shares by Directors and any other applicable employees (as defined by the AIM Rules for Companies).

Share Option Scheme

The Board recognises the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. The Board regards employee share ownership as a key part of such incentive arrangements and has therefore established the 2014 EMI Plan, further details of which are set out in paragraph 12.1 of Part IV of this Document and in the years prior to Admission has granted the Old EMI Options, further details of which are set out in paragraph 12.3 of Part IV of this Document.

Shortly prior to Admission, the Company intends to grant additional options over Ordinary Shares at an exercise price equivalent to the market value per Ordinary Share at the date of grant to members of the Board and to certain other employees of the Group under the 2014 EMI Plan. The number of Ordinary Shares over which options will be granted will be determined by reference to the quoted price of an Ordinary Share on the date of grant, and the maximum value of Ordinary Shares over which options will be granted will not exceed £3 million.

Furthermore, the Directors intend to establish a further long-term incentive plan, the 2014 LTIP, subsequent to Admission, to facilitate the ongoing retention and incentivisation of key executives and employees. An outline of the 2014 LTIP as currently envisaged is set out in paragraph 12.2 of Part IV of this Document.

Admission, Settlement and Dealing

Admission is expected to take place, and dealings in the Ordinary Shares are expected to commence on AIM, at 8.00 a.m. on 30 April 2014. These dates and times may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Existing Ordinary Shares are admitted to CREST and the Company has applied for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in all Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All New Ordinary Shares to be issued in the Placing will be issued payable in full at the Placing Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares will be distributed by 7 May 2014 or as soon thereafter as is practicable. No temporary documents of title will be issued.

Taxation

Your attention is drawn to the Taxation section contained in paragraph 16 Part IV of this Document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

Risk Factors

The Group's business is dependent on many factors and prospective investors should read the whole of this Document. In particular, your attention is drawn to the risk factors set out in Part II of this Document.

Further Information

Your attention is drawn to the additional information set out in Parts II to IV of this Document.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this Document before investing in Ordinary Shares. The investment offered in this Document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult a professional adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

Risks specific to the Group

Exchange rate risk

Exchange rate fluctuations have a significant effect on the Group's cash flows, profitability and the price competitiveness of its products and services. A weakening of the Euro against Sterling reduces the profitability of the Group's Euro income if its Euro product prices remain unchanged (the Group generates a significant and growing proportion of its revenue in Euros). A strengthening of the USD against Sterling increases the Group's product purchase costs although from 31 March 2015, the Group has reduced this risk under the revised terms of the Distribution Agreement as it has fixed the USD to Sterling exchange rate at USD1.62 : £1 for products supplied by BRK Brands which will be sourced in Sterling from 31 March 2015. The Group, however, even after that point, will still make a significant proportion of its purchases in USD and will continue to hedge the exchange rate risk through forward contracts to bring greater certainty to its future product cost base sourced in USD.

Product defect

Products that are found to be defective in some way, smoke and CO alarms in particular, represent a potential material adverse risk to the Company. If the defect relates to the design of the product, the Company has insurance in place against potential claims but not the cost of replacing products in the market place. A manufacturing defect may not be covered by the Group's suppliers' insurance in all circumstances. The cost to the Group of any product issued with a design defect would extend beyond the cost of any specific claims brought against it, including potentially swapping products out in the market place or in the worst case, a product recall. The cost of potentially replacing defective units already distributed and the reputational impact that could occur at product, brand and Group level would be significant.

Reported product issues

From time to time, the Company has experienced higher than normal rates of returns under warranty in the UK and Germany due to batch-specific problems with batteries and sounders. Where problems arise, the root cause is promptly rectified, however, products sold prior to the changes may remain in the market. In the past, the Company became aware that following physical damage caused by users, some batteries had experienced thermal runaway. The Company has since sourced batteries from an alternative supplier and this issue has not recurred, to the Directors' knowledge. The Group makes specific provision for the cost of dealing with known warranty returns and, at 31 December 2013, the Group had a £0.7 million provision, which is equivalent to 1.4 per cent. of total sales, to deal with specific expected warranty costs (31 December 2012: £0.5 million).

Certification

Smoke alarms and CO detectors sold in the EU must comply with legislation and be certified. Certification costs can be significant. Failure to meet certification standards in a timely manner can delay product launches and significantly add to development costs and, as a result, have an adverse effect sales and profits. The Group has overcome a number of hurdles which have delayed the certification of new products using its Nano CO Sensor and is now scheduled to include the first Nano CO Sensors in finished CO detectors in the second half of 2014, slightly later than the Company originally anticipated last year. The Company cannot guarantee that new products that it intends to bring to market will achieve the requisite certification and, as such, prospective investors should be aware of the potential negative impact on the financial and trading position and proposals of the Group of the failure to acquire such certification. The Group has substantial experience of the certification process and the Board is reasonably confident of obtaining product certification on new products broadly within the expected time scales.

Dependence on suppliers/manufacturers

In relation to the Group's core operating business of the sale and distribution of smoke and CO safety products, the Group has only three key suppliers: BRK Brands, DTL/CICAM and Pace Technology. As the Group has no substantial proprietary manufacturing facilities (save for Pace Sensors in Canada which is a relatively small assembly operation facility), any disruption or discontinuation to these supply agreements or any major incident involving these suppliers could materially adversely impact the Company's business and financial condition.

Approximately two-thirds of the Group's products are supplied by a combination of BRK Brands and DTL both of which are 100 per cent. owned by Jarden. The renewal of the Distribution Agreement with BRK Brands and Jarden in March 2014, extending the current agreement on improved terms for the Group until 31 March 2018, brings greater certainty to the Group's supply chain and cost base. The Group has a long-standing relationship with its other major supplier Pace Technology; this relationship, however, could come under threat, for example, in the event that Pace Technology is acquired by a competitor although the Group has recently signed an extension to the agreement with Pace Technology to ensure continuity of supply of CO detectors. In addition, the Group has recently appointed a new supplier of smoke alarms in China to reduce its reliance on current suppliers and increase supply chain capacity with potential significant increases in demand likely to come from the developments in the French market.

The Group is highly dependent on its suppliers to acquire quality components from reliable and traceable sources, to reliably manufacture, assemble, inspect and test products to the Group's design specifications and to maintain the highest standards of quality as required by the relevant certification bodies, national and supranational regulators and fire and rescue services. Any faults in the production and/or assembly processes may, especially in the case of Sprue's Branded Products, cause significant reputational, financial and operational damage to the Company. The Group's own engineers regularly visit its suppliers' factories to review quality standards and procedures and all of these factories receive an annual independent audit check by various regulators, as required by the relevant standards. All third party certifications for both smoke and CO alarms by BSI, LPCB, NF and VdS include annual factory audits and inspections of randomly selected production samples as part of their review. Furthermore, all of the factories in which the Group's products are produced carry the independent ISO9001:2008 Quality Management System accreditation.

Warranty cover under the Distribution Agreement

Under the Distribution Agreement (and as extended), the parties agreed that should warranty costs on BRK Brands' products exceed a predetermined amount measured on a basis consistent with the treatment in BRK Brands' year ended 31 December 2009, BRK Brands would be liable for those warranty costs and not Sprue. The provisions of this clause have been amended from time to time through the practical application of the warranty and to suit the specific requirements of the market situation/customer situation at the time with a view to minimising the warranty cost for the parties wherever possible.

Changes to the procurement processes of UK F&RS

The Group has a substantial market share among UK F&RS – which consist of approximately 53 individual brigades/customers – and, as such, any changes to their procurement processes or funding from the UK Government may pose a material and adverse risk to the Group. Although noteworthy due to the importance of UK F&RS as customers, representing 14 per cent. of 2013 sales, the Board does not consider this to be a significant risk due to the fact that when the present purchasing framework was implemented all brigades were retained as customers under the new framework agreements.

Technological risks

The Group operates in an industry where competitive advantage is heavily dependent on technology. It is possible that technological developments may reduce the competitiveness of the Group, although the Group currently spends approximately £1.4 million per year on product development to seek to remain at the forefront of technology in its sector. Staying abreast of technological changes will continue to require significant investment to be maintained and there is a risk of potential disruptive technologies emerging. If the Company fails to keep pace with technological developments and changes in user behaviour, the Company's business, financial condition and results of operations may be materially and adversely affected.

Intellectual Property protection

At present the Group has a portfolio of 80 patents, 54 of which have been granted, and the remainder of which are pending. These patents are in a number of jurisdictions including Europe, the UK and US. The Group also has 32 designs (28 of which are registered and 4 are pending) and 19 trademarks registered with a further five trademarks pending registration. One of the five trademarks pending registration has been opposed. The risk to Intellectual Property for which patents/trademarks/designs have not yet been registered is greatest.

Patent, design and trademark applications could be objected to by Patent Offices or other intellectual property offices for formal or substantive reasons and the refusal of such applications cannot be ruled out. Additionally, third parties could lodge challenges to pending or granted intellectual property rights held by the Group (either pre-emptively, or as a counterclaim to infringement assertions by the Group) and there is the possibility that such challenges could be successful.

Any failure to protect or successfully defend the Group's Intellectual Property may result in another party copying or otherwise obtaining and using its proprietary technology or other Intellectual Property without authorisation. There may not be adequate protection for the Intellectual Property in every country in which the Group's products are sold and policing unauthorised use of proprietary information is difficult and expensive. The Group cannot guarantee that it will be able to detect and prevent infringement of its Intellectual Property but would rigorously defend its Intellectual Property if it believed it was being infringed.

Any misappropriation of the Group's Intellectual Property could have a material adverse impact on the Group's business and its operating results. Further to this, the Group may need to take legal action to enforce its Intellectual Property, to protect trade secrets or to determine the validity or scope of the proprietary rights of others which may result in substantial costs and the diversion of resources and management attention and there can be no guarantee as to the outcome of any such litigation.

By way of mitigation, the Group has commissioned, in relation to Admission, a full and independent review of the Group's Intellectual Property so as to effectively document its breadth, limitations and any prospective areas of risk. Further mitigation is provided by four principal conventions to which the UK Government is a signatory: the Berne Convention, the Universal Copyright Convention, the Rome Convention and the WIPO Copyright Treaty, which provide protection to UK copyrighted works within nations that are counterparties to these conventions.

The ownership of the Intellectual Property used by the Group may be challenged by third parties

The Group is not aware of any third party that has any claim over the Intellectual Property of the Group, however, if it was proven that part of the Group's Intellectual Property was in fact owned by a third party, this could lead to the removal of certain functionality from the Group's products or for certain Sprue products to be removed from the market altogether. Any legal action resulting from such claims would likely be time-consuming and expensive. In either case the business, financial condition and results of operations may be materially and adversely affected.

Consultants, contractors and intellectual property

The Group has historically engaged and will continue to engage consultants and other independent contractors in its business. The contractual basis upon which such persons are engaged may contain or be alleged to contain deficiencies, particularly relating to ownership of and/or assignment to the relevant Group company of any intellectual property developed or created by such persons. Were this to arise, the Group's ownership and use of intellectual property may be materially and adversely affected which in turn could have a material and adverse effect on the Group's financial condition and business prospects.

New products may impact growth

The Group's future growth may be dependent on its ability to update and modify its products and provide further services as required by customers or the market. There can be no guarantees that new products, modifications or services will be successfully developed or, if developed, successfully sold to customers. This could affect the growth of the Group's future revenues and profits.

Expansion into overseas/new markets

The Group does not currently have a near term plan for aggressive geographic expansion, but its future growth may be impacted by its ability to generate business in geographical markets which it has recently entered or which it may, now or in the future, desire to enter. There is no guarantee that expansion into additional geographical markets will not cause disruption and potential harm to the Group's existing business.

Dependence on key executives and personnel

The Group's development and prospects are somewhat dependent upon the continued services and performance of its Directors, senior management and other key personnel. The loss of the services of any of the Directors, senior management or key personnel or a substantial number of talented employees, could cause disruption which could have a material adverse effect on the Group's business, financial condition and results of operations until suitable replacements are found.

Ability to recruit and retain skilled personnel

The Group depends on qualified and experienced employees to enable it to bid for new business and develop its products. Should the Group be unable to attract new employees, or retain existing employees, this could have a material adverse effect on the Group's ability to grow or maintain its business.

Sales partners may decide to take their relationships and custom elsewhere

The Group currently has distributor relationships with partners in Germany, France and the Benelux region. The Group's development and prospects in these geographies are dependent upon retaining a sufficient number of sales partners with sufficient market scale to effectively sell and distribute the Group's products. In 2014, the Group signed distribution agreements with its distributor in Germany and largest distributor in France securing these key routes to market. The loss of, or an inability to maintain, these relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group does not maintain specific insurance to cover customer bad debts

Many of the Group's key customers are large multi-national companies, contracting with whom, the Directors believe, carries a low level of payment risk, however, the Group also contracts with a number of smaller companies both in the UK and overseas, contracting with whom, the Directors believe, carries a higher level of payment risk. The Group assesses credit risk for new customers and closely monitors overdue debts and customer credit limits, however, at the present time the Group does not maintain specific insurance to cover customer bad debts, so if one or more of the Group's customers was unable or unwilling to meet their financial obligations to the Group, the Group's business, financial condition and results of operations may be adversely affected.

Loss of key customers or sales/distribution partners

Despite having a relatively large number of customers, a material proportion of the Group's revenue and profit is generated from a modest number of high value contracts with key customers and sales/distribution partners. This is especially the case in the UK Retail, UK Trade and Continental Europe segments. If the Group were to lose a key customer there is no guarantee that the Group would be able to replace this with a similarly significant new customer, resulting in a reduction in revenue and profitability. In most cases, the loss of a contract with a sales/distribution partner may lead to the loss of the associated underlying customers. The loss, therefore, of a key customer or a sales/distribution partner could have a material adverse effect on the Group's business, financial condition and results of operations.

Inability to contract with customers on the most favourable terms to the Group

The Group contracts with a wide variety of companies, many of which are in strong negotiating positions and who have greater financial resources than the Group. Whilst the Group seeks to negotiate contracts on terms that it considers are the most beneficial to it in the circumstances, a number of existing contracts contain, and the Directors expect that future contracts will contain, what may be considered potentially onerous terms for the Group, such as high or, in the case of some contracts, no limitations on the Group's

liability. If claims were to be successfully made under such contracts the Group could be liable for substantial damage awards that may significantly exceed its liability insurance coverage by unknown but significant amounts, which could materially and adversely affect its financial condition.

Regulation with which the Company cannot comply

The Group operates in a highly regulated market, influenced by EU and country level legislation and fire safety standards. If the Group is unable to comply with, or react quickly enough to, any new regulation introduced, it may lose customers, find it more difficult to win new customers or, in the worst case, lose the ability to distribute products into certain jurisdictions resulting in lost sales and profits.

Regulation, short notice implementation of mandatory provisions or slower growth of more sophisticated sub-sectors opening the market to cheaper competition

If the level of regulation in the Group's markets was reduced, this could attract other cheaper competitors with less sophisticated products and lead to greater competition in the Group's key markets. Some competitors may use low prices to gain market share. There is no guarantee that the pricing levels for the Company's products will remain at current levels. This could have a material impact on the Group's ability to retain and win new customers leading to a material adverse effect on the Group's business, financial condition and results of operations.

Potential requirement for further investment

Any future expansion, activity and/or business development may require additional capital. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient although the Group currently has no net debt. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned expansion, activity and/or business development.

Market risks

The Group faces competitive and strategic risks that are inherent in the market. The Group's success depends on market acceptance of its products and customers choosing its products over those of its competitors. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

Competition

The Group's primary competitors are Kidde and Ei. Both of these companies have a strong market presence in one or more of the market segments in which the Group operates and there are a number of other smaller, but nevertheless effective competitors. The Board believes that Kidde and Ei have significant resources at their disposal should they choose to invest in new product ranges that could potentially threaten the Group's product offering and market position. The Group, in part to mitigate against this competitive threat, continues to commit significant resources to research and development, as it has done since foundation. It cannot, however, be guaranteed that the Group will be able to succeed in developing new products that can compete head-on with competitors' products.

Reputation in each local and national marketplace

The Group's reputation is central to its future success, in terms of the services and products it provides, the way in which it conducts its business, wins and retains key customers, and the financial results which it achieves. Failure to meet the expectations of its clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group's reputation and future revenue, and may be exploited by the Group's competition.

Transfer pricing

There is a risk that amounts paid or received under intra-group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, or be disregarded for the purposes of calculating tax which may increase the Group's taxable income or decrease the amount of relief available to the Group with a consequential negative effect on its financial and operating results. The Directors believe this risk is minimal as they have an established transfer price policy for the sale of products by Pace Sensors to its customer.

Employees' IP

Although IP rights created by an employee during the course of employment automatically vest in the employer, disputes often arise about what is "in the course of employment" unless there are specific provisions dealing with this in the employment contract. Employees may argue that they created the IP outside of office hours and/or using private resources or that the activities fell outside of the scope of their duties. There is a risk that some of the Group's employment contracts do not contain or are alleged not to contain sufficiently protective provisions in that they do not explicitly confirm that all intellectual property rights pass to the employer. There is a further risk that some of the Group's employment contracts do not contain sufficiently protective post-termination restrictions. If an employee leaves the Group there is a risk that an employee sets up in competition with the Group without incurring full, or any, liability for doing so. Disputes arising from these matters could materially adversely affect the financial position and prospects of the Group given the importance of intellectual property to the Group's business and competitive position, as ownership of intellectual property is disputed and/or time and other resources of management are diverted and costs and expenses are incurred in connection with these matters.

Grant of intellectual property rights under British Gas Framework Agreement

Under a framework agreement dated 1 December 2012 entered into between SSPL and British Gas Services Limited ('British Gas') for supply of CO detector products to British Gas, SSPL grants British Gas a perpetual, non-exclusive, royalty free licence to copy and update any materials or information which form intellectual property rights of SSPL which exists at the date of the agreement and are necessary for British Gas and its group companies to receive the benefit of the goods, services or deliverables provided under the agreement. The licence contained within the agreement is widely drafted; it covers any materials or information comprising the intellectual property rights of SSPL existing at the date of the agreement, regardless of whether or not such intellectual property rights were provided to British Gas as part of the goods or services. Depending on the nature of the material or information which British Gas seeks to use under this licence, such use might materially adversely affect the financial position, assets, business and/or prospects of the Group, however it is unclear what specific materials or information this licence is intended to cover. If for example the licence is only intended to cover user manuals or instructions in relation to products which British Gas has purchased from SSPL, use of such materials by British Gas is unlikely to adversely affect the Group.

Ionising radiation products

The range of ionisation smoke alarms distributed by the Group contain a small amount of a controlled radioactive substance called Americium 241. The use of Americium 241 in smoke alarms is regulated and permitted under certain exemptions orders.

In addition to the general requirements of the Health and Safety at Work Act 1974 and the Management of Health and Safety at Work Regulations 1999, the following specific legislation applies to this substance directly or is applied indirectly through parallel arrangements designed to achieve equivalent standards:

- Ionising Radiations Regulations 1999 (IRR99) (applies directly);
- Environmental Permitting (England and Wales) Regulations 2010 (as amended) (EPR10) (parallel arrangements);
- Radioactive Substances Act 1993 (Scotland & Northern Ireland) (as amended) (RSA93) (parallel arrangements); and
- Carriage of Dangerous Goods and Transportable Pressure Equipment Regulations 2009 (applies directly).

Relevant premises of the Group are licensed for the storage and distribution of ionisation smoke alarms and additional arrangements are in place for the breakdown of returned alarms, including the licenced safe disposal of the ionisation sources.

The ionisation regulations could change and become more restrictive. This would impact on the Group's ability to sell ionisation smoke alarms.

Additionally, should the Group's warehouse which stores the range of ionisation smoke alarms become compromised, the Group's storage and distribution licence could be affected. Standard practice for dealing with Americium 241 in a fire is to let the fire burn as opposed to apply water. This practice is intended to avoid contamination of water courses.

General risks

Economic conditions and current economic weakness

Any economic downturn, either globally or locally in any area in which the Group operates, may have an adverse effect on demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured. If economic conditions remain uncertain, the Group might see lower levels of growth than in the past, which might have an adverse impact on the Group's operations and business results.

Force majeure

The Group's operations, now or in the future, may be adversely affected by risks outside the control of the Group, including but not limited to: labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Taxation

Statements in this Document in relation to taxation and concerning the taxation of investors in Ordinary Shares are based on current taxation law and practice which is subject to change. The taxation of an investment in the Group depends on the specific circumstances of the relevant investor.

AIM

AIM securities are not admitted to the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Group's securities, cannot be guaranteed.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached compared with larger or more established companies. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

Investment risk

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his or her investment in the Group and he or she may lose all of his or her investment.

Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of the Ordinary Shares, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Group's operating performance or the overall performance of the sector in which the Group operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside the Group's control.

If the Group's revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares

may fall for reasons unrelated to the Group's business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Placing Price.

Liquidity

Subsequent to Admission the Group can give no assurance that an active trading market for the Ordinary Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares. The market price of the Ordinary Shares may drop below the Placing Price. Any investment in the Ordinary Shares should be viewed as a long term investment.

PART IIIA

ACCOUNTANTS' REPORT ON SPRUE AEGIS PLC

The following is the full text of a report on Sprue Aegis plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Sprue Aegis plc.



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The Directors
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24 April 2014

Dear Sirs,

SPRUE AEGIS PLC ('the Company') and its subsidiary undertakings ('the Group')

We report on the consolidated historical financial information set out in Part IIIB of the Admission Document dated 24 April 2014 ('Admission Document') of Sprue Aegis plc. This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 2 of Part IIIB to the consolidated historical financial information. This report is required by paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by Part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of Appendix 3.1.1 of the Prospectus Rules as applied by Part (a) of Schedule Two to the AIM Rules, or consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the consolidated historical financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the consolidated

historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the consolidated historical financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with item 1.2 of Annex I and item 1.2 of Annex III of Appendix 3.1.1 of the Prospectus Rules as applied by Part (a) of Schedule Two to the AIM Rules.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street, London EC4A 4AB

PART IIIB

**CONSOLIDATED HISTORICAL FINANCIAL INFORMATION ON SPRUE AEGIS PLC
FOR THE THREE YEARS ENDED 31 DECEMBER 2013**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE YEARS ENDED
31 DECEMBER 2013**

	<i>Notes</i>	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Revenue	5	33,486	37,806	48,357
Cost of sales		(22,848)	(26,702)	(34,320)
Gross profit		<u>10,638</u>	<u>11,104</u>	<u>14,037</u>
Distribution costs		(624)	(613)	(601)
Administrative expenses		(6,791)	(6,974)	(8,357)
Profit from operations	6	3,223	3,517	5,079
Finance income	8	11	–	5
Finance costs	9	(50)	(43)	–
Profit before tax		3,184	3,474	5,084
Income tax expense	10	(624)	(869)	(946)
Profit for the year attributable to the owners of the parent		2,560	2,605	4,138
Other comprehensive income				
Foreign exchange gains and losses on overseas subsidiaries		18	(28)	(38)
Total comprehensive income for the year attributable to the owners of the parent		<u>2,578</u>	<u>2,577</u>	<u>4,100</u>
Earnings per share	12			
From continuing operations:				
Basic		7.12	7.16	10.58
Diluted		6.59	6.89	10.24

All amounts stated relate to continuing activities.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011, 2012 AND 2013

	<i>Notes</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
ASSETS				
Non-current assets				
Intangible assets	14, 15	1,689	2,405	3,197
Property, plant and equipment	16	153	179	436
Deferred tax assets	25	239	231	292
		<u>2,081</u>	<u>2,815</u>	<u>3,925</u>
Current assets				
Inventories	18	4,923	5,403	7,670
Trade and other receivables	19	7,027	9,647	10,393
Derivative financial assets	20	29	84	307
Cash and cash equivalents		6,359	6,226	5,227
		<u>18,338</u>	<u>21,360</u>	<u>23,597</u>
TOTAL ASSETS		<u><u>20,419</u></u>	<u><u>24,175</u></u>	<u><u>27,522</u></u>
LIABILITIES				
Current liabilities				
Trade and other payables	24	(8,938)	(11,079)	(10,860)
Provisions	22	(644)	(525)	(734)
Current tax liabilities		(181)	(102)	–
Derivative financial liabilities	20	(285)	(65)	(95)
		<u>(10,048)</u>	<u>(11,771)</u>	<u>(11,689)</u>
Non-current liabilities				
Borrowings	23	(494)	–	–
Deferred tax liabilities	25	(362)	(527)	(736)
		<u>(856)</u>	<u>(527)</u>	<u>(736)</u>
TOTAL LIABILITIES		<u>(10,904)</u>	<u>(12,298)</u>	<u>(12,425)</u>
NET ASSETS		<u><u>9,515</u></u>	<u><u>11,877</u></u>	<u><u>15,097</u></u>
EQUITY				
Share capital	27	716	771	801
Share premium		3,449	3,822	4,123
Foreign exchange reserves	29	18	(10)	(48)
Retained earnings		5,332	7,294	10,221
TOTAL EQUITY		<u><u>9,515</u></u>	<u><u>11,877</u></u>	<u><u>15,097</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE YEARS ENDED
31 DECEMBER 2013**

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Foreign exchange reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 1 January 2011	714	3,434	–	2,981	7,129
Profit for the year	–	–	–	2,560	2,560
Foreign exchange gains and losses from overseas subsidiaries	–	–	18	–	18
Total comprehensive income for the year	–	–	18	2,560	2,578
Transactions with owners in their capacity as owners:					
Dividends	–	–	–	(358)	(358)
Issue of shares	2	15	–	–	17
Total transactions with owners in their capacity as owners	2	15	–	(358)	(341)
Share-based payment charge	–	–	–	39	39
Deferred tax credit on share-based payment charge	–	–	–	110	110
Balance at 31 December 2011	716	3,449	18	5,332	9,515
Profit for the year	–	–	–	2,605	2,605
Foreign exchange gains and losses from overseas subsidiaries	–	–	(28)	–	(28)
Total comprehensive income for the year	–	–	(28)	2,605	2,577
Transactions with owners in their capacity as owners:					
Dividends	–	–	–	(721)	(721)
Issue of shares	55	373	–	–	428
Total transactions with owners in their capacity as owners	55	373	–	(721)	(293)
Share-based payment charge	–	–	–	19	19
Deferred tax credit on share-based payment charge	–	–	–	58	58
Balance at 31 December 2012	771	3,822	(10)	7,293	11,876
Profit for the year	–	–	–	4,138	4,138
Foreign exchange gains and losses from overseas subsidiaries	–	–	(38)	–	(38)
Total comprehensive income for the year	–	–	(38)	4,138	4,100
Transactions with owners in their capacity as owners:					
Dividends	–	–	–	(1,573)	(1,573)
Issue of shares	30	301	–	–	331
Total transactions with owners in their capacity as owners	30	301	–	(1,573)	(1,242)
Share-based payment charge	–	–	–	15	15
Deferred tax credit on share-based payment charge	–	–	–	73	73
Current tax credit on share-based payment charge	–	–	–	275	275
Balance at 31 December 2013	801	4,123	(48)	10,221	15,097

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE YEARS ENDED
31 DECEMBER 2013**

	<i>Notes</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Operating activities				
Cash generated from operations	31	3,456	2,394	2,224
Interest paid		(50)	(43)	–
Income taxes paid		(663)	(726)	(631)
Net cash generated from operating activities		<u>2,743</u>	<u>1,625</u>	<u>1,593</u>
Investing activities				
Purchase of intangible assets		(912)	(915)	(1,016)
Purchase of property, plant and equipment		(119)	(78)	(338)
Proceeds on disposal of property, plant and equipment		–	31	–
Interest received		11	–	5
Net cash used in investing activities		<u>(1,020)</u>	<u>(962)</u>	<u>(1,349)</u>
Financing activities				
Proceeds from issuance of ordinary shares		17	428	330
Dividends paid	11	(358)	(720)	(1,573)
Loan note repaid		–	(496)	–
Net cash used in financing activities		<u>(341)</u>	<u>(788)</u>	<u>(1,243)</u>
Net increase/(decrease) in cash and cash equivalents				
		1,382	(125)	(999)
Cash and cash equivalents at beginning of year		4,976	6,359	6,226
Effect of foreign exchange rate changes		1	(8)	–
Cash and cash equivalents at end of year		<u><u>6,359</u></u>	<u><u>6,226</u></u>	<u><u>5,227</u></u>

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2013

1. PRINCIPAL ACTIVITIES

The Company is registered in England and Wales, having been incorporated under the Companies Act 1985 with company registration number 3991353 as a public company, limited by shares, and during the three years ended 31 December 2013, was quoted on the ISDX Growth Market. The Company's registered office is Bridge House, London Bridge, London SE1 9QR.

The Group is in the business of the design, sale and marketing of smoke and carbon monoxide detectors and accessories sold under the FireAngel, AngelEye, Pace Sensors, First Alert, BRK and Dicon brands. The Group also operates its own carbon monoxide CO sensor manufacturing facility in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted the accounting policies set out below in preparation of the consolidated historical financial information. All of these policies have been applied consistently throughout the periods presented, unless otherwise stated.

Basis of preparation

The consolidated historical financial information has been prepared on a going concern basis, in accordance with International Financial Reporting Standards and IFRIC interpretations as endorsed by the EU ('IFRS') and the requirements of the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated historical financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

The preparation of consolidated historical financial information requires management to exercise its judgement in the process of applying accounting policies. The areas including a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are disclosed in note 3.

The consolidated historical financial information in this part does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Basis of consolidation

The consolidated historical financial information of the Group incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year.

Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain economic benefits from their activities. Subsidiaries are consolidated from the date on which control is obtained (the acquisition date) up until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Intra-group transactions, balances, and unrealised gains and losses on transactions between group companies are eliminated on consolidation, except to the extent those intra-group losses indicate impairment.

Going concern

As part of its going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled 'Going Concern and Liquidity Risk Guidance for UK Companies 2009'.

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this Document. In developing these forecasts the Board has made assumptions based upon its view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Company and its Group have sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the consolidated historical financial information.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2014 and not early adopted

The IASB and IFRIC have issued the following standards, amendments and interpretations as noted below but are not yet effective:

New or Revised standards

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after January 1, 2015), was issued in November 2009 and subsequently amended in October 2010. The Standard is subject to endorsement by the European Union. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities. IFRS 9 enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. Furthermore, IFRS 9 addresses the accounting for changes in the fair value of financial liabilities (designated at fair value through profit or loss) attributable to changes in the credit risk of that liability.

IAS 32 Amendments 'Offsetting Financial Assets and Financial Liabilities' (effective for annual periods beginning on or after 1 January, 2014). The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements, specifically the amendments clarify the meaning of 'currency has a legally enforceable right of set-off' and simultaneous realization and settlement'. We do not anticipate material impact on our consolidated financial statements upon adoption.

IFRS 10 Consolidated Financial Statements outlines the requirements for the preparation and presentation of consolidated financial statements, requiring entities to consolidate entities it controls. Control requires exposure or rights to variable returns and the ability to affect those returns through power over an investee.

IFRS 10 was issued in May 2011 and applies to annual periods beginning on or after 1 January 2013 (IASB effective date) and annual periods beginning on or after 1 January 2014 (EU effective date). Although the EU regulation adopting this standard/amendment has set a later effective date for mandatory application, earlier adoption is permitted. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (2011) and IAS 28 Investments in Associates and Joint Ventures (2011).

IFRS 13 Fair Value Measurement applies to IFRSs that require or permit fair value measurements or disclosures and provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

Revenue recognition

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location, and the risks and rewards of ownership have been transferred to the customer.

Revenue comprises the value of sales net of rebates and settlement discounts (excluding VAT) of goods supplied in the normal course of business.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Intangible assets

Goodwill

Goodwill arising on consolidation represents the excess of the consideration transferred and the fair value of any previous interest in the acquired entity over the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is separately disclosed.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Impairment losses are recognised immediately in profit or loss and are not subsequently reversed.

Goodwill arising on acquisitions that occurred prior to the date of transition to IFRS (1 January 2011) has been retained at the UK GAAP carrying amount at the date of transition. Subsequent to the transition date no amortisation charge has been recognised, but goodwill has been tested for impairment at the date and annually thereafter in accordance with IAS 36.

Internally generated intangible assets

Expenditure on research activities is recognised in profit or loss as incurred.

Expenditure arising from the Group's development of future products is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the Group has the intention to complete the asset and the ability and intention to use or sell it;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where these criteria have not been achieved, development expenditure is recognised in profit or loss in the period in which it is incurred.

Development expenditure is also written off, except where the directors are satisfied as to the innovative nature and technical, commercial and financial viability of clearly defined projects whose outcome can be assessed with reasonable certainty. In such cases, the identified expenditure is carried forward and amortised on a straight line basis over the period during which the Group is expected to benefit, which the Directors have estimated is between seven and ten years once sales of the product commence. Provision is made for any impairment. The amortisation charge is recognised within administration expenses.

Expenditure on advertising and promotional activities is recognised as an expense as incurred.

Computer software

Software capitalised is amortised at rates calculated to write off the cost, less estimated residual value, of each asset on a reducing balance basis over its estimated useful life being 33 per cent. per annum.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Subsequent costs, including replacement parts and major inspections, are capitalised only when it is probable that such costs will generate future economic benefits. Any replaced parts are derecognised. All other costs of repairs and maintenance are charged to profit or loss as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	4 years
Motor vehicles	4 years
Office equipment	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with an indefinite useful life are tested for impairment annually and whenever there is an indication that the asset may be impaired.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

Operating leases

Rentals payable under operating leases are expensed on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

Functional and presentation currencies

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated historical financial information is presented in UK Sterling (£), which is the functional currency of the Company and the Group's presentational currency.

Transaction and balances

Foreign currency transactions are translated at the exchange rate prevailing on the dates of the transaction. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in other comprehensive income when the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the Group's presentational currency at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates have fluctuated significantly during the year, in which case the exchange rate at the date of the transaction is used. All resulting exchange differences are recognised in other comprehensive income.

All exchange differences arising, if any, are transferred to the Group's translation reserve and are recognised as income or as expenses in the period in which the operation is disposed of, or when control, significant influence or joint control is lost.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates prevailing at the reporting date.

The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Retirement benefit costs

For defined contribution schemes the amount charged to profit or loss in respect of pension costs and other post retirement contributions is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund for the year.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that gives a residual interest in the assets of the company after deducting all of its liabilities.

Derivative financial liabilities are measured at fair value through profit and loss; all other financial liabilities are measured at amortised cost.

Recognition and measurement

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit and loss' category are presented in the income statement within 'Cost of sales' in the period in which they arise.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events)

has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Inventories

Inventories are stated at the lower of historical cost and net realisable value. Cost comprises direct material cost and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to completion and selling costs to be incurred.

Trade receivables

Trade receivables are classified as loans and receivables and are initially recognised at fair value. They are subsequently measured at their amortised cost using the effective interest method less any provision for impairment.

Forward currency derivatives

The Group enters into derivative foreign currency forward contracts which are classified as financial instruments at fair value through profit and loss. They are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value gains and losses are recognised in profit and loss.

The Group does not have right of offset between such derivatives, and so all derivatives that are financial assets are shown separately from all derivatives that are financial liabilities, at each period end.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities of less than three months.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less.

Trade payables are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

Borrowings

The loan note issued in 2011 is secured on the Group's Intellectual Property by debenture. As a separate transaction, the grant of share options to subscribe for Ordinary Shares was entered into at the same time as the loan note. The liability and equity instruments are separate and the exercise of share options and the redeemable loan are independent.

Transaction costs are added to the liability component of the loan note based on their relative carrying amounts at the date of issue.

The interest expense on the loan note is charged at 9 per cent. per annum. Finance costs are spread over the term of the loan.

Provisions

Provisions for product warranty claims, are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discontinued at the pre-tax discount rate that reflects the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Share-based payment transactions

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the option at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date.

Options over the Company's shares granted to employees of subsidiaries are recognised as a capital contribution by the Company to the subsidiaries.

Cancelled or settled options are accounted for as an acceleration of vesting. The unrecognised grant date fair value is recognised in profit or loss in the year that the options are cancelled or settled.

Where the terms of the options are modified and the modification increases the fair value or number of equity instruments granted measured immediately before and after the modification, the incremental fair value is spread over the remaining vesting period.

Operating segments

IFRS 8 provides segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Company's board of directors. The adoption of IFRS 8 has not had any impact on the performance or position of the Group.

3. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Warranty provision

The warranty provision is expected to be sufficient to cover the cost of replacing products where there are specific known warranty issues where the returns levels of products are above a normal long term run rate level of warranty returns.

The Directors' estimate for warranty costs at each year end is based on returns experience and industry experience.

The Directors have not taken into consideration the present value of the expected warranty cost when estimating the warranty provision, and similarly the inflation rate has not been considered for this purpose, on the grounds that neither adjustment is likely to be material.

4. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effects of changes in market prices including foreign exchange rate risk, credit risk, liquidity risk and environmental risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring these risks and taking appropriate action where necessary.

Liquidity risk

Management's objective is to meet its liabilities as they fall due whilst maintaining sufficient headroom to enable the board to react to unexpected changes in market conditions. Management monitors its cash flows through the preparation of forecasts on a monthly basis.

Cash forecasts are based on historic trading levels, continued settlement of supplier balances within 30 days and collection of trade receivables between 30 to 90 days. Subject to unforeseen adverse trading conditions, the cash flows from operations are not expected to change significantly from the level of underlying business performance. Financing cash flows relating to principal and interest payments in respect of the Group's cash or borrowings at the time are incorporated into the cash forecasts based on contractual maturity dates as disclosed in note 2.

Maturity Analysis

The table below analyses the Group's financial liabilities on a contractual gross undiscounted cash flow basis into maturity groupings based on amounts outstanding at the reporting date up to the contractual maturity date.

	<i>Within 6 months £'000</i>	<i>6 months – 1 year £'000</i>	<i>1 to 5 years £'000</i>	<i>Over 5 years £'000</i>	<i>Total £'000</i>
2013					
Trade and other payables	10,860	–	–	–	10,860
Derivative financial liabilities	–	95	–	–	95
Financial liabilities	<u>10,860</u>	<u>95</u>	<u>–</u>	<u>–</u>	<u>10,955</u>

	£'000	£'000	£'000	£'000	£'000
2012					
Trade and other payables	11,079	–	–	–	11,079
Derivative financial liabilities	–	65	–	–	65
Financial liabilities	<u>11,079</u>	<u>65</u>	<u>–</u>	<u>–</u>	<u>11,144</u>
	£'000	£'000	£'000	£'000	£'000
2011					
Trade and other payables	8,938	–	–	–	8,938
Derivative financial liabilities	–	285	–	–	285
Non-current liabilities	–	–	494	–	494
Financial liabilities	<u>8,938</u>	<u>285</u>	<u>494</u>	<u>–</u>	<u>9,717</u>

The table below analyses the Group's financial assets held for managing liquidity risk which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities.

	<i>Within 6 months</i>	<i>6 months – 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000
2013					
Cash at bank and on hand	5,227	–	–	–	5,227
Trade receivables	9,695	–	–	–	9,695
Derivative financial assets	–	307	–	–	307
	<u>14,922</u>	<u>307</u>	<u>–</u>	<u>–</u>	<u>15,229</u>
	£'000	£'000	£'000	£'000	£'000
2012					
Cash at bank and on hand	6,226	–	–	–	6,226
Trade receivables	9,160	–	–	–	9,160
Derivative financial assets	–	84	–	–	84
	<u>15,386</u>	<u>84</u>	<u>–</u>	<u>–</u>	<u>15,470</u>
	£'000	£'000	£'000	£'000	£'000
2011					
Cash at bank and on hand	6,359	–	–	–	6,359
Trade receivables	6,555	–	–	–	6,555
Derivative financial assets	–	29	–	–	29
	<u>12,914</u>	<u>29</u>	<u>–</u>	<u>–</u>	<u>12,943</u>

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management. In addition, the Group maintains a committed invoice discounting facility of up to £3.0m (2012: £3.0m, 2011: £1.5m) which can be accessed as considered necessary. This facility expires in September 2015.

Foreign currency risk

The Group operates in a number of markets across the world and is exposed to foreign exchange risk arising from various currency exposures in particular, with respect to the US dollar and the Euro. The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions. Although the countries that the Group trades with have relatively stable economies, management has set up a policy which requires Group companies to manage their foreign exchange risk against their functional currency by entering into forward exchange contracts with highly reputable counterparties.

Interest rate risk

The business has remained debt free throughout 2013. In 2011 and for part of 2012 the only borrowings owed by the Group were at fixed interest rates, hence the Group did not have exposure to interest rate risk.

Credit Risk

Credit risk predominantly arises from financial asset investments, derivatives, lease and trade receivables and cash and cash equivalents.

Credit exposure is managed on a group basis. External credit ratings are obtained for new customers and the Group policy is to assess the credit quality of each customer internally before accepting any terms of trade. Internal procedures take into account the customers' financial position as well as their reputation within the industry and past payment experience where relevant.

Cash and cash equivalents and derivative financial instruments are held with an AAA rated bank.

The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value as disclosed below. All financial assets have a fair value which is equal to their carrying value.

Financial risk management

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
<i>Maximum exposure to credit risk</i>			
Trade and other receivables	<u>7,027</u>	<u>9,647</u>	<u>10,393</u>

The Group did not have any financial instruments that would mitigate the credit exposure arising from the financial assets designated at fair value through profit or loss in either the current or the preceding financial year.

The only changes in fair value for both financial assets and liabilities designated at fair value through profit or loss attributable to changes in market conditions giving rise to market risk are changes in the observed benchmark interest rate. All other fair value changes are attributable to changes in credit risk.

Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis and adjusting the level of dividends paid to ordinary shareholders.

The Group considers its capital to include share capital, share premium, translation reserve, retained earnings and net debt as noted below.

Net debt includes short and long-term borrowings (including overdrafts, redeemable preference shares and lease obligations) net of cash and cash equivalents.

The Group has not made any changes to its capital management during the year.

The Group has remained debt free for 2013. The debt in 2011 related to a loan note, including unamortised issue costs, and was secured on certain of the company and group's intellectual property rights and had an interest of 9 per cent. The loan was repaid in full, including accrued interest of £0.015m on the 31 October 2012.

	2011 £'000	2012 £'000	2013 £'000
Total debt	(494)	–	–
Total equity	9,513	11,593	14,498
Debt to adjusted capital ratio	5%	0%	0%

The Group does not have any externally imposed capital requirements.

5. SEGMENTAL INFORMATION

The Company sells and distributes home safety products and accessories in the UK, Continental Europe and certain other countries and undertakes manufacturing activities in Canada. Its customers are mainly based throughout Europe.

Financial information is reported to the board on a consolidated basis with revenue and operating profits stated for the Group.

Segmental revenues for each of the Group's business units, and comprising net sales to external customers, is the only financial information reported to the Board at this business-unit level. Business unit reporting excludes any information below net revenue and excludes gains arising on the disposal of assets and finance income, which are reported on a consolidated basis.

All assets are consolidated on a Group basis and reported as such to the Board.

	2011 <i>Revenue</i> £'000	2012 <i>Revenue</i> £'000	2013 <i>Revenue</i> £'000
Continuing Operations			
Business Units:			
Europe and other ¹	10,665	10,507	18,630
UK Retail	6,240	9,637	11,720
UK Trade	5,663	5,960	5,563
UK Fire & Rescue Services	8,962	8,715	7,000
UK Utilities and Leisure	945	1,918	2,385
Pace Sensors Limited	1,011	1,069	3,059
Total revenue from external customers	<u>33,486</u>	<u>37,806</u>	<u>48,357</u>

¹ Europe and other sales includes sales outside of Europe which are reported through this business unit.

The Retail, Europe, Trade, UK F&RS and Utilities and Leisure Business Units earn revenue from the sale of smoke and CO detectors and other related accessories to end customers. Pace Sensors Limited earns revenue from the manufacture and sale of CO sensors.

For 2013 revenues of approximately £18.7m (2012: £8.9m; 2011: £nil) were derived from two (2012: 2; 2011: 0) external customers, each of which contributed over 10 per cent. of total external revenue of the Group. These revenues are attributable to the Retail and Europe business units. An analysis of the Group's revenue is as follows:

	2011 £'000	2012 £'000	2013 £'000
<i>Continuing operations:</i>			
United Kingdom	21,810	26,230	26,668
Continental Europe and Rest of World	11,676	11,576	21,689
	<u>33,486</u>	<u>37,806</u>	<u>48,357</u>

Non-current assets, excluding deferred tax assets, for UK and overseas territories are shown as follows:

	2011 £'000	2012 £'000	2013 £'000
<i>Continuing operations:</i>			
UK	1,802	2,523	3,461
Canada	40	61	172
	<u>1,842</u>	<u>2,584</u>	<u>3,633</u>

6. PROFIT FROM OPERATIONS

The following table analyses the nature of expenses:

	2011 £'000	2012 £'000	2013 £'000
Staff costs (see note 7)	2,962	2,928	4,123
Depreciation, amortisation and impairments (see notes 14, 15 and 16)	236	233	303
Premises costs	772	874	917
Change in inventory of finished goods	151	(480)	(2,268)
Purchase of finished goods	22,764	27,180	36,586
Transport costs	623	613	601
Marketing, Firebuy and trade contributions	798	1,084	762
Professional fees	789	711	1,220
Other expenses	1,166	1,146	1,034
Total cost of sales, distribution costs, administrative expenses and other operating expenses	<u>30,263</u>	<u>34,289</u>	<u>43,278</u>

No interest was generated on impaired financial assets in either the current or preceding financial years.

Profit from operations has been arrived at after charging/(crediting):

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Net foreign exchange (gains)/losses excluding foreign currency forward transactions	(1)	(30)	1
Research and development costs	371	294	265
Amortisation of intangible assets	196	182	223
Inventories			
– amount charged	22,586	26,178	34,301
Depreciation			
– owned assets	41	51	80
Rentals under operating leases	351	323	282
Staff costs (see note 7)	3,482	3,108	4,123
Auditors' remuneration for audit services (see below)			
– audit services	30	50	58
– non-audit services	15	10	12
	<u> </u>	<u> </u>	<u> </u>

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services.

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Audit services			
– statutory audit of parent and consolidated accounts	30	50	58
Other services			
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom)	5	5	5
Services supplied pursuant to such legislation	5	1	4
Taxation services (e.g. compliance and advisory)	5	4	3
	<u> </u>	<u> </u>	<u> </u>
	<u>45</u>	<u>60</u>	<u>70</u>

7. STAFF COSTS

The average monthly number of employees (including executive directors) for the year for each of the Group's principal divisions was as follows:

	<i>2011</i> Number	<i>2012</i> Number	<i>2013</i> Number
Pace Sensors manufacturing	8	21	42
Technology	15	15	17
Administration	19	19	22
Sales and Marketing	18	17	19
Executive and non-executive directors	8	8	8
Warehousing	5	5	5
	<u> </u>	<u> </u>	<u> </u>
	<u>73</u>	<u>85</u>	<u>113</u>

The average number of employees in 2011 and 2012 have been revised to reflect the reclassification of individuals in 2013.

The aggregate remuneration for the above persons comprised:

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Wages and salaries	2,525	2,462	3,556
Social security costs	337	366	462
Other pension costs	61	81	89
Share based payment expense	39	19	15
	<u>2,962</u>	<u>2,928</u>	<u>4,122</u>

Included in the above are labour costs that have been capitalised as part of development costs as follows:

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Wages and salaries	434	419	589
Social security costs	54	51	68
	<u>488</u>	<u>470</u>	<u>657</u>

8. FINANCE INCOME

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Interest on bank deposits	<u>11</u>	<u>–</u>	<u>5</u>

9. FINANCE COSTS

	<i>2011</i> £'000	<i>2012</i> £'000	<i>2013</i> £'000
Interest on loan note	<u>50</u>	<u>43</u>	<u>–</u>

10. TAXATION

	2011 £'000	2012 £'000	2013 £'000
<i>Current tax</i>			
UK corporation tax	450	600	769
UK – Adjustments in respect of prior periods	(9)	108	(81)
Foreign tax	–	–	88
	<u>441</u>	<u>708</u>	<u>776</u>
<i>Deferred tax (note 25)</i>			
Origination and reversal of temporary differences	<u>183</u>	<u>161</u>	<u>170</u>
Income tax expense	<u><u>624</u></u>	<u><u>869</u></u>	<u><u>946</u></u>

Domestic income tax is calculated at 23 per cent. (2012: 25 per cent., 2011: 26 per cent.) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2011		2012		2013	
	£'000	%	£'000	%	£'000	%
Profit before tax	3,184		3,474		5,084	
Tax at the domestic income tax rate 23% (2012; 25%, 2011; 26%)	828		868		1,169	
Tax effect of expenses that are not deductible in determining taxable profit	(41)		(10)		49	
Effect of allowance for capitalised development expenditure	(163)		(97)		(191)	
Adjustments in respect of prior periods	–		108		(81)	
Tax expense and effective tax rate for the year	<u><u>624</u></u>	<u><u>20%</u></u>	<u><u>869</u></u>	<u><u>25%</u></u>	<u><u>946</u></u>	<u><u>19%</u></u>

The income tax credited to equity during the year is as follows:

	2011 £'000	2012 £'000	2013 £'000
<i>Current tax</i>			
Share option scheme	–	–	275
<i>Deferred tax</i>			
Share option scheme	<u>110</u>	<u>58</u>	<u>73</u>
	<u><u>110</u></u>	<u><u>58</u></u>	<u><u>348</u></u>

11. DIVIDENDS

On 6 July 2011, a dividend of £0.36m, 1.0 pence per was paid to ordinary shareholders.

On 5 July 2012, a dividend of £0.72m, 2.0 pence per was paid to ordinary shareholders.

On 4 July 2013, a dividend of £1.57m, 4.0 pence per was paid to ordinary shareholders.

In respect of the year ended 31 December 2013, the directors propose that a 6.0 pence per share will be paid to ordinary shareholders on 4 July 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2011 £'000	2012 £'000	2013 £'000
<i>Earnings from continuing operations</i>			
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the parent)	2,560	2,605	4,138
Share based payment expense	39	19	15
Earnings for the purposes of diluted earnings per share	<u>2,599</u>	<u>2,624</u>	<u>4,428</u>
<i>Number of shares</i>			
Weighted average number of ordinary shares for the purposes of basic earnings per share	35,779	36,367	39,087
Effect of dilutive potential ordinary shares: –Share options	<u>3,681</u>	<u>1,706</u>	<u>1,471</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>39,460</u>	<u>38,073</u>	<u>40,558</u>
	2011 p	2012 p	2013 p
Basic Earnings per Share (pence)	7.12	7.16	10.58
Diluted Earnings per Share (pence)	6.59	6.89	10.24

13. FINANCIAL INSTRUMENTS

	<i>Assets at fair value through profit and loss £'000</i>	<i>Loans and receivables £'000</i>	<i>Total £'000</i>
2013			
Current financial assets			
Trade and other receivables (excluding prepayments)	–	10,058	10,058
Cash and cash equivalents	–	5,227	5,227
Derivative financial assets	307	–	307
Total	<u>307</u>	<u>15,285</u>	<u>15,592</u>
2012			
Current financial assets			
Trade and other receivables (excluding prepayments)	–	9,475	9,475
Cash and cash equivalents	–	6,226	6,226
Derivative financial assets	84	–	84
Total	<u>84</u>	<u>15,701</u>	<u>15,785</u>
2011			
Current financial assets			
Trade and other receivables (excluding prepayments)	–	6,741	6,741
Cash and cash equivalents	–	6,359	6,359
Derivative financial assets	29	–	29
Total	<u>29</u>	<u>13,100</u>	<u>13,129</u>
	<i>Liabilities at fair value through profit and loss £'000</i>	<i>Financial liabilities held at amortised cost £'000</i>	<i>Total £'000</i>
2013			
Current financial liabilities			
Trade and other payables (excluding accrued income)	–	10,860	10,860
Derivative financial liabilities	95	–	95
Total	<u>95</u>	<u>10,860</u>	<u>10,955</u>
2012			
Current financial liabilities			
Trade and other payables (excluding accrued income)	–	11,079	11,079
Derivative financial liabilities	65	–	65
Total	<u>65</u>	<u>11,079</u>	<u>11,144</u>
2011			
Current financial liabilities			
Trade and other payables (excluding accrued income)	–	8,938	8,938
Derivative financial liabilities	285	–	285
	285	8,938	9,223
Non-current financial liabilities			
Borrowings	–	494	494
Total	<u>285</u>	<u>9,432</u>	<u>9,717</u>

14. GOODWILL

£'000

COST

Deemed cost of goodwill upon IFRS transition and carrying value at 31 December 2011, 2012, and 2013

169

The recoverable amount of each CGU has been determined, at each year end, based on value in use calculations. These calculations use pre-tax cash flow projections over the next three years which are based on the budgets submitted to the board for approval.

Cash flows beyond the budgeted three year period are extrapolated using the estimated growth rates per the table below. In accordance with IAS 36, the growth rates beyond the budgeted three year period do not exceed the long-term average growth rate for the industry.

Pace Sensors
£'000

Carrying value of goodwill	169
The key assumptions applied in the calculations were:	
Gross margin (%)	32.5
Growth rate (%)	5
Discount rate (%)	10

Gross margin over the next 3 years has been estimated based on past performance of each product line taking into account the anticipated changes in sales mix and future trading conditions. The sales mix takes into account estimated future revenue from current customer contracts as well as anticipated future demand from existing and potential new customers. It has been assumed that overhead costs and asset replacement will continue at the same levels as in the current year as there are no expansion or restructuring projects in the board's plans in the short term. Cash flows have been derived from future earnings based on assumptions that key suppliers will be paid within the credit periods provided and that customers will continue to take the same length of time to pay as they have in current year. Stock holding levels will continue to be monitored to ensure that sufficient levels are retained to meet demand.

15. OTHER INTANGIBLE ASSETS

	<i>Development costs £'000</i>	<i>Computer Software £'000</i>	<i>Total £'000</i>
COST			
At 1 January 2011	1,487	165	1,652
Additions – internally developed	864	48	912
At 31 December 2011	<u>2,351</u>	<u>213</u>	<u>2,564</u>
At 1 January 2012	2,351	213	2,564
Additions – internally developed	893	22	915
Disposals	–	(30)	(30)
At 31 December 2012	<u>3,244</u>	<u>205</u>	<u>3,449</u>
Additions – internally developed	988	28	1,016
At 31 December 2013	<u><u>4,232</u></u>	<u><u>233</u></u>	<u><u>4,466</u></u>
AMORTISATION			
At 1 January 2011	823	25	848
Amortisation for the year	137	59	196
At 31 December 2011	<u>960</u>	<u>84</u>	<u>1,044</u>
At 1 January 2012	960	84	1,044
Amortisation for the year	149	33	182
Disposals	–	(12)	(12)
At 31 December 2012	<u>1,109</u>	<u>105</u>	<u>1,214</u>
Amortisation for the year	186	37	223
At 31 December 2013	<u><u>1,295</u></u>	<u><u>142</u></u>	<u><u>1,437</u></u>
CARRYING AMOUNT			
At 31 December 2011	<u>1,391</u>	<u>129</u>	<u>1,520</u>
At 31 December 2012	<u>2,135</u>	<u>101</u>	<u>2,236</u>
At 31 December 2013	<u><u>2,937</u></u>	<u><u>91</u></u>	<u><u>3,028</u></u>

The amortisation charge of £223k (2012: £182k; 2011: £196k) has been recognised within administration expenses.

The loan note issued in 2009 was secured on the Intellectual Property of certain patents of the company. These patents related to certain products which the company no longer manufactures and the costs of these products have been fully amortised in the figures above as at the end of 2013.

16. PROPERTY, PLANT AND EQUIPMENT

	<i>Office Equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Fixtures & Fittings £'000</i>	<i>Total £'000</i>
COST				
At 1 January 2011	167	–	31	198
Additions	99	5	15	119
Disposals	(27)	–	–	(27)
At 31 December 2011	<u>239</u>	<u>5</u>	<u>46</u>	<u>290</u>
Additions	77	–	1	78
Disposals	(5)	–	(5)	(10)
At 31 December 2012	<u>311</u>	<u>5</u>	<u>42</u>	<u>358</u>
Additions	291	–	47	338
Disposals	(11)	–	–	(11)
At 31 December 2013	<u>591</u>	<u>5</u>	<u>89</u>	<u>685</u>
ACCUMULATED DEPRECIATION				
At 1 January 2011	102	–	19	121
Depreciation charge for the year	36	1	4	41
Disposals	(25)	–	–	(25)
At 31 December 2011	<u>113</u>	<u>1</u>	<u>23</u>	<u>137</u>
Depreciation charge for the year	45	1	5	51
Disposals	(4)	–	(4)	(8)
At 31 December 2012	<u>153</u>	<u>2</u>	<u>24</u>	<u>179</u>
Depreciation charge for the year	70	1	9	80
Disposals	(10)	–	–	(10)
At 31 December 2013	<u>215</u>	<u>3</u>	<u>33</u>	<u>251</u>
Net book value				
At 31 December 2011	<u>126</u>	<u>4</u>	<u>22</u>	<u>153</u>
At 31 December 2012	<u>158</u>	<u>3</u>	<u>18</u>	<u>179</u>
At 31 December 2013	<u>376</u>	<u>2</u>	<u>56</u>	<u>436</u>

Depreciation expense of £80k (2012: £51k; 2011: £41k) has been charged to administration expenses.

17. SUBSIDIARIES

Details of the Company's subsidiaries for the three years ended 31 December 2013 are as follows:

<i>Name of subsidiary</i>	<i>Place of incorporation (or registration) and operation</i>	<i>Proportion of ownership interest %</i>	<i>Proportion of voting power held %</i>	<i>Principal activity</i>
Sprue Safety Products Ltd	UK	100	100	Distribution of Smoke and CO alarms
Pace Sensors	Canada	100	100	Manufacture of CO Sensor
AngelEye Corporation	Canada	100	100	Non-trading
AngelEye Incorporation	USA	100	100	Non-trading

The results of all subsidiary undertakings are included in the consolidated accounts. Pace Sensors manufactures CO sensors and the principal activity of Sprue Safety Products Limited is to develop and distribute smoke alarms, CO detectors and other safety related products. The other entities are currently non-trading.

The Group has a direct holding in Sprue Safety Products Limited, AngelEye Corporation and AngelEye Incorporated. It has an indirect holding in Pace Sensors Limited, via AngelEye Incorporated.

18. INVENTORIES

	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Finished goods	<u>4,923</u>	<u>5,403</u>	<u>7,670</u>

19. TRADE AND OTHER RECEIVABLES

	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Trade receivables	6,555	9,160	9,695
Other debtors	186	315	363
Prepayments	<u>286</u>	<u>172</u>	<u>335</u>
Trade and other receivables	<u>7,027</u>	<u>9,647</u>	<u>10,393</u>

The average credit period taken on sale of goods is 64 days (2012: 78 days; 2011: 63 days).

An impairment review has been undertaken at the year end to assess whether the carrying amount of financial assets is deemed recoverable.

The primary credit risk relates to customers which have amounts due outside of their credit period.

The Directors are of the opinion that there are no significant concentrations of credit risk.

The fair value of trade and other receivables is not considered to be materially different from their carrying value.

Domestic trade debtors are pledged as security to the Group's bankers as part of the Group's banking facilities. The domestic trade debtor balance at the year end 2013 was £5.03m (2012: £5.18m)

The following table provides analysis of trade and other receivables that were past due at 31 December, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2011 £'000	2012 £'000	2013 £'000
Up to three months	<u>423</u>	<u>-</u>	<u>-</u>

At 31 December 2013, £7.30m (2012: £7.30m; 2011: £5.30m) of trade receivables were denominated in Sterling, £0.625m (2012: £0.317m; 2011: £0.511m) in US Dollars and £1.77m (2012: £1.543m; 2011: £0.744m) in Euros.

Cash and cash equivalents of £0.4m (2012: £0.4m; 2011: £0.4m) comprise cash and short-term deposits held by the group treasury function. The carrying amount of these assets approximates to their fair value.

At 31 December 2013, £2.76m (2012: £5.24m; 2011: £4.22m) of cash was denominated in Sterling, £1.21m (2012: £0.07m; 2011: £0.17m) in US Dollars and £0.910m (2012: £0.900m; 2011: £2.28m) in Euros.

At the year end, all other financial assets held were in Sterling.

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2011 £'000	2012 £'000	2013 £'000
Assets			
Fair value of foreign currency forward contracts	<u>29</u>	<u>84</u>	<u>307</u>
Liabilities			
Fair value of foreign currency forward contracts	<u>(285)</u>	<u>(65)</u>	<u>(95)</u>

Derivative financial instruments are classified between current and non-current based on the maturity of the hedged item and are all measured at their fair value. The maturity of all forward contracts at each year end reported was less than 12 months, and therefore all contracts are classified as current.

The notional principal amounts of the outstanding foreign currency forward contracts was US \$11.9m at 31 December 2013 (2012: US \$5.1m; 2011: US \$7.2m).

Gains and losses on foreign currency forward contracts is recognised within cost of sales, as the forward contract are utilised to hedge foreign currency risk associated with product sales and product purchases in currencies other than the Company's functional currency.

21. FAIR VALUE DISCLOSURES

Of the total gains and loss recognised in profit or loss in the year ended 31 December 2011 to 2013, £212k (2012: £18k, 2011: £(256)k) are presented within 'Cost of Sales'.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value for the three years ended 31 December 2013. All assets and liabilities measured are valued at level 2.

<i>LEVEL 2</i>	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Assets			
Foreign currency forward contracts	29	84	307
	<u>29</u>	<u>84</u>	<u>307</u>
Liabilities			
Other foreign currency forward contracts	(285)	(65)	(95)
	<u>(285)</u>	<u>(65)</u>	<u>(95)</u>

22. PROVISIONS

Warranties over the Group's products typically cover periods of between one and ten years. Provision is made for the likely cost of after-sales support and replacement of product. A provision of £0.7m (2012: £0.5m; 2011: £0.6m) has been recognised for expected warranty claims on goods sold during the last three years. It is expected that most of this expenditure will be incurred in the next financial year and all will be incurred within two years or more of the balance sheet date.

	<i>Warranty provision £'000</i>	<i>Total £'000</i>	
At 1 January 2011	–	–	
Additional provision in year	644	644	
At 31 December 2011	<u>644</u>	<u>644</u>	
Additional provision in year	780	780	
Utilisation of provision	(899)	(899)	
At 31 December 2012	<u>525</u>	<u>525</u>	
Additional provision in year	1,062	1,062	
Utilisation of provision	(853)	(853)	
At 31 December 2013	<u>734</u>	<u>734</u>	
	<u>734</u>	<u>734</u>	
	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Current provision	<u>644</u>	<u>525</u>	<u>734</u>

23. BORROWINGS

Loan notes

9% loan note was issued at par on 1 January 2003 for £500,000.

	£'000
Nominal value of loan notes at 1 January 2011	500
Interest paid	(6)
Liability at 31 December 2011	494
Finance costs	6
Interest paid	(6)
Repayment of loan notes	(494)
Liability at 31 December 2012 and 2013	–

On the 31 October 2012 the loan note was repaid in full.

24. TRADE AND OTHER PAYABLES

	2011 £'000	2012 £'000	2013 £'000
Trade payables	7,008	9,487	8,647
Accruals and deferred income	1,758	1,277	2,041
Other tax and social security	172	315	172
	<u>8,938</u>	<u>11,079</u>	<u>10,860</u>

At 31 December 2013, £5.40m (2012: £5.43m; 2011: £4.58m) of payables were denominated in Sterling and £3.24m (2012: £4.24m; 2011: £2.93m) in US dollars.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 60 days (2012: 70 days; 2011: 85 days).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

25. DEFERRED TAX

	2011 £'000	2012 £'000	2013 £'000
Deferred tax liabilities	(362)	(527)	(735)
Deferred tax assets	239	231	292
Net position at 31 December	<u>(123)</u>	<u>(296)</u>	<u>(443)</u>

The movement in the year in the Group's net deferred tax position was as follows:

	2011 £'000	2012 £'000	2013 £'000
At 1 January	(110)	(123)	(296)
Charge to income for the year	(123)	(203)	(181)
Charge to equity for the year	110	30	34
At 31 December	<u>(123)</u>	<u>(296)</u>	<u>(443)</u>

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the period:

Deferred tax liabilities

	<i>Derivative financial instruments</i> £'000	<i>Deferred development costs</i> £'000	<i>Total</i> £'000
At 1 January 2011	–	179	179
Charge to income for the year	–	183	183
At 31 December 2011	–	362	362
Charge to income for the year	4	161	165
At 31 December 2012	4	523	527
Charge to income for the year	38	170	208
At 31 December 2013	42	693	735

Deferred tax assets

	<i>Derivative financial instruments</i> £'000	<i>Share based payments</i> £'000	<i>Total</i> £'000
At 1 January 2011	–	69	69
Charge to profit or loss for the year	52	8	60
Charge to equity for the year	–	110	110
At 31 December 2011	52	187	239
Charge to profit or loss for the year	(52)	14	(38)
Charge to equity for the year	–	30	30
At 31 December 2012	–	231	231
Charge to profit or loss for the year	–	27	27
Charge to equity for the year	–	34	34
At 31 December 2013	–	292	292

26. RETIREMENT BENEFITS

Defined contribution plans

The Group operates defined contribution retirement benefit plans for all qualifying employees of its construction and leasing divisions in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund for the year and amounted to £89,113 (2012: £80,627, 2011: £60,506). Contributions amounting to £12,305 (2012: £26,351; 2011: 4,697) were payable at the year end.

27. SHARE CAPITAL

	<i>2011</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2013</i> <i>£'000</i>
Authorised:			
Ordinary shares of 2p each	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Issued and Fully Paid Ordinary shares of £1 each:			
As at 1 January	714	716	771
Issue of share capital in respect of share options exercised	<u>2</u>	<u>55</u>	<u>30</u>
As at 31 December	<u><u>716</u></u>	<u><u>771</u></u>	<u><u>801</u></u>

The Company has one class of Ordinary Shares which carry no right to fixed income.

In 2011, 98,000 Ordinary Shares were issued at a consideration of £0.017m. Of this consideration, £2k was share capital and the remainder share premium.

The total number of shares in issue as at 31 December 2011 was 35,824,173.

In 2012, 2,760,000 Ordinary Shares were issued at a consideration of £0.428m. Of this consideration, £55k was share capital and the remainder share premium.

The total number of shares in issue as at 31 December 2012 was 38,584,173.

In 2013, 1,491,200 Ordinary Shares were issued at a consideration of £0.331m. Of this consideration, £30k was share capital and the remainder share premium.

The total number of shares in issue as at 31 December 2013 was 40,075,373.

28. RESERVES

Share Premium

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs.

Foreign exchange Reserve

The foreign exchange reserve represents the exchange gains and losses that have arisen on the retranslation of overseas operations.

Retained earnings

Retained earnings represents the cumulative profit and loss net of distributions to owners.

29. FOREIGN EXCHANGE RESERVES

	<i>Foreign exchange Reserve £'000</i>	<i>Total £'000</i>
Balance at 1 January 2011	–	–
Exchange difference on overseas operations	18	18
Amounts transferred to profit and loss	–	–
Balance at 31 December 2011	18	18
Exchange difference on overseas operations	(28)	(28)
Amounts transferred to profit and loss	–	–
Balance at 31 December 2012	(10)	(10)
Exchange difference on overseas operations	(38)	(38)
Amounts transferred to profit and loss	–	–
Balance at 31 December 2013	(48)	(48)

30. SHARE BASED PAYMENTS

Equity-settled share option plan

The Group plan provides for a grant price equal to the average quoted market price of the Group shares on the date of grant. The vesting period is generally three years. If options remain unexercised after a period of seven years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

	<i>2011</i>		<i>2012</i>		<i>2013</i>	
	<i>Options '000</i>	<i>Weighted average exercise price</i>	<i>Options '000</i>	<i>Weighted average exercise price</i>	<i>Options '000</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January	5,880	19.50p	5,731	19.48p	2,972	17.50p
Exercised during the year	(98)	17.50p	(2,760)	20.60p	(1,491)	17.04p
Expired during the year	(52)		–		(10)	
Outstanding at 31 December	<u>5,731</u>	<u>19.48p</u>	<u>2,972</u>	<u>17.50p</u>	<u>1,471</u>	<u>24.40p</u>
Exercisable at 31 December	<u>5,731</u>	<u>19.48p</u>	<u>2,972</u>	<u>17.50p</u>	<u>1,471</u>	<u>24.40p</u>

The weighted average share price at the date of exercise for share options exercised during the year was 96.0p. The options outstanding at 31 December 2013 had an exercise price between 18p and 35p, and a weighted average remaining contractual life of three years.

The Group recognised total expenses of £15k (2012: £19k; 2011: £39k) relating to equity-settled share-based payment transactions.

31. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH GENERATED FROM OPERATIONS

	2011 £'000	2012 £'000	2013 £'000
Continuing operations			
Profit before tax	3,184	3,474	5,084
Adjustments for:			
Depreciation of property, plant & equipment	41	51	80
Amortisation of intangible assets	196	182	223
Share-based payment expense	38	19	15
Fair value (gains)/losses on financial instruments	(256)	18	212
Foreign exchange (gains)/losses	17	12	1
(Gain)/loss on disposal of property, plant & equipment	(1)	(11)	(1)
Finance costs	(39)	(43)	5
	<u>3,180</u>	<u>3,702</u>	<u>5,619</u>
Operating cash flows before movements in working capital	3,180	3,702	5,619
Decrease/(increase) in inventories	151	(480)	(2,267)
Decrease/(increase) in trade and other receivables	618	(2,620)	(748)
Increase/(decrease) in trade and other payables	(1,137)	1,911	(589)
Increase/(decrease) in provisions	644	(119)	209
	<u>644</u>	<u>(119)</u>	<u>209</u>
Cash generated from operations – continuing operations	<u><u>3,456</u></u>	<u><u>2,394</u></u>	<u><u>2,224</u></u>

32. OPERATING LEASE ARRANGEMENTS

The Group as a lessee:

The minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	2011 £'000	2012 £'000	2013 £'000
Amounts due:			
Within one year	70	100	123
Between one and five years	162	80	126
After five years	130	73	–
	<u>362</u>	<u>253</u>	<u>249</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

33. RELATED PARTY TRANSACTIONS

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	<i>Jarden Corporation</i>			<i>Other related parties</i>		
	2011 £'000	2012 £'000	2013 £'000	2011 £'000	2012 £'000	2013 £'000
Sales of goods in year	–	–	–	800	100	200
Purchases of goods in year	16,600	18,400	22,200	–	–	–
Dividends payable	100	200	400	–	–	–
Amounts owed by related parties at year end	4,500	6,100	6,100	–	–	–
Amounts owed to related parties at year end	–	–	–	–	90	120

Jarden, through its subsidiary BRK Brands Europe Limited holds a significant proportion of the Company's Ordinary Shares and has representation on the Company's Board. Consequently the Directors consider that the Company is an associate of Jarden, and in accordance with IAS 24, Jarden is a related party. Jarden

represents the single largest supplier to the company supplying a significant proportion of the Group's purchased products and charging the company for its ongoing engineering support for its BRK, First Alert and Dicon brands.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate.

	2011 £'000	2012 £'000	2013 £'000
Remuneration of Directors			
Aggregate emoluments	889	635	1,009
Company pension contributions	7	31	39
Sums paid to third parties for Directors' services	34	34	34
Share-based payment	39	19	15
	<u>969</u>	<u>719</u>	<u>1,097</u>

The remuneration in respect of the highest paid director was:

	2011 £'000	2012 £'000	2013 £'000
Emoluments	233	160	252
Defined pension contributions	–	15	6
	<u>233</u>	<u>175</u>	<u>258</u>

The highest paid Director exercised 150,000 share options during the year 2012 at an option price of 19.25p. The gain on exercise of share options at the time was £51,000.

In 2013, three directors exercised their share options totalling 1.05 million at an average exercise price of 24.00 pence. The total gain on these share options at the time of each option exercised amounted to £1.41m.

Emoluments amounting to £12,000 (2012: £12,000; 2011: £12,000) have been waived by one director (2012: 1; 2011: 1).

W J B Payne, a non-executive director of the company, is a partner of Wilkins Kennedy, Chartered Accountants, which provides his services. During the period Wilkins Kennedy were paid £12,000 (2012: £12,000; 2011: £12,000) for the provision of W J B Payne's services as a non-executive director and £34,054 (2012: £21,332; 2011: £38,750) for accounting and management services. At the year end the company owed Wilkins Kennedy £nil (2012: £nil; 2011: £5,700).

In 2013, an agreement was entered into between the Company and John Walsh, a Director of the Company, whereby, it was agreed that he would receive sales commission on revenue of certain products. In the year ended 31 December 2013 payments in this regard amounted to £30,000 (2012: £ nil; 2011: £ nil).

34. EVENTS AFTER THE REPORTING PERIOD

On 21 March 2014, the Company announced that it entered into a three year extension to its existing exclusive distribution agreement with BRK Brands Europe Limited ('BRK Brands') and Jarden. The extension, which is on improved terms, comes into effect from 1 April 2015, when the existing distribution agreement expires.

Under the terms of the new agreement, Sprue has retained the exclusive rights to distribute the products and brands of BRK Brands, namely, First Alert, BRK and Dicon throughout Europe. The key terms of the

agreement, as clarified by the Clarification Agreement (further details of which are set out in paragraph 10.5 of Part IV of this Document) are as follows:

- annual distribution fee (£4.2 million payable currently) to be reduced to £3.5 million, £3.0 million and £2.9 million in calendar years 2015, 2016 and 2017 respectively; and
- minimum term of three years to 31 March 2018 with twelve months' notice required by either party to terminate the agreement. Unless terminated, the agreement automatically renews on the same terms for further periods of twelve months.

As part of the negotiations, Sprue has also secured improved manufacturing terms from Detector Technologies Limited ('DTL'), a Jarden company, which supplies Sprue's own-brand smoke alarms and other associated accessories. Further details are provided in paragraph 10 of Part IV of this Document.

On 6 January 2014, the Company issued 290,000 Ordinary Shares with £0.35 paid up per share; and 10,000 Ordinary Shares with £0.35 paid up per share.

Since the year ended 31 December 2013, the Company has implemented the 2014 EMI Plan which provides for the grant of options to acquire Ordinary Shares to selected employees of the Group. Further details are given in paragraph 12 of Part IV of this Document. The Company also intends, following Admission, to introduce a new discretionary share plan, further details of which are also given in paragraph 12 of Part IV.

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Company and the Directors (whose names appear on page 5 of this Document) accept responsibility collectively and individually for the information contained in this Document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The business address of the Company and each Director and their respective functions are set out on page 5 of this Document.

2. THE GROUP

- 2.1 The Company was incorporated in England and Wales under the Companies Act 1985 on 12 May 2000 as a private company limited by shares with the name Aldway Limited and with registered number 3991353. By certificate of incorporation on change of name issued on 26 May 2000 the Company's name was changed to Sprue Aegis Limited.
- 2.2 On 8 March 2001 the Company was re-registered as a public limited company under the Companies Act 1985 and its name was changed to Sprue Aegis plc.
- 2.3 The liability of the Shareholders is limited. The principal legislation under which the Company was formed is the Companies Act 1985. The principal legislation under which it now operates is the 2006 Act.
- 2.4 The registered office of the Company is Bridge House, 4 Borough High Street, London SE1 9QR, its head office is at Vanguard Centre, Sir William Lyons Road, Coventry CV4 7EZ and its telephone number is +44 (0) 2476 323232.
- 2.5 The Company's web site address is www.sprueaegis.com.
- 2.6 The Company is the holding company of the following subsidiaries, all of which are wholly owned (directly or indirectly):

<i>Company Name</i>	<i>Place of Incorporation</i>	<i>Principal Activity</i>
Sprue Safety Products Limited	England and Wales	Development and manufacture of smoke detectors, CO detectors and other safety products.
AngelEye Corporation	Canada	North American sales and marketing.
AngelEye Incorporated	USA	Dormant.
Pace Sensors	Canada	Development and manufacture of CO sensors.

3. SHARE CAPITAL OF THE COMPANY

- 3.1 During the period covered by the historical financial information of the Company (as set out in Part IIIB of this Document), up to the date of this Document, there have been the following changes to the share capital of the Company:
- 3.1.1 On 14 March 2011, the Company issued 10,000 Ordinary Shares with £0.165 paid up per share.
 - 3.1.2 On 25 May 2011, the Company issued 25,000 Ordinary Shares with £0.17 paid up per share; 23,333 Ordinary Shares with £0.18 paid up per share; and 33,334 Ordinary Shares with £0.18 paid up per share.
 - 3.1.3 On 7 June 2011, the Company issued 4,444 Ordinary Shares with £0.165 paid up per share; and 4,146 Ordinary Shares each with £0.18 paid up per share.
 - 3.1.4 On 17 August 2011, the Company issued 8,750 Ordinary Shares with £0.18 paid up.
 - 3.1.5 On 31 August 2011, the Company issued 3,472 Ordinary Shares with £0.17 paid up per share; and 3,888 Ordinary Shares with £0.18 paid up per share.
 - 3.1.6 On 24 November 2011, the Company issued 33,334 Ordinary Shares with £0.165 paid up per share.
 - 3.1.7 On 22 December 2011, the Company issued 15,000 Ordinary Shares with £0.165 paid up per share.
 - 3.1.8 On 28 March 2012, the Company issued 9,722 Ordinary Shares with £0.18 paid up per share.
 - 3.1.9 On 14 May 2012, the Company issued 15,000 Ordinary Shares with £0.17 paid up per share; 10,000 Ordinary Shares with £0.18 paid up per share; 120,000 Ordinary Shares with £0.1925 paid up per share; and 30,000 Ordinary Shares with £0.1925 paid up per share.
 - 3.1.10 On 6 November 2012, the Company issued 2,500,000 Ordinary Shares with £0.15 paid up per share.
 - 3.1.11 On 20 December 2012, the Company issued 35,000 Ordinary Shares with £0.18 paid up per share; 20,000 Ordinary Shares with £0.17 paid up per share; 20,000 Ordinary Shares with £0.15 paid up per share; and 278 Ordinary Shares with £0.18 paid up per share.
 - 3.1.12 On 29 January 2013 the Company issued 10,000 Ordinary Shares with £0.18 paid up per share; 5,000 Ordinary Shares with £0.17 paid up per share; 20,000 Ordinary Shares with £0.15 paid up per share; 10,000 Ordinary Shares with £0.18 paid up per share; 15,000 Ordinary Shares with £0.17 paid up per share; and 15,000 Ordinary Shares with £0.18 paid up per share.
 - 3.1.13 On 19 February 2013 the Company issued 1,200 Ordinary Shares with £0.18 paid up per share; and 25,000 Ordinary Shares with £0.35 paid up per share.
 - 3.1.14 On 3 June 2013, the Company issued 7,500 Ordinary Shares with £0.35 paid up per share; 10,000 Ordinary Shares with £0.18 paid up per share; 5,000 Ordinary Shares with £0.15 paid up per share; 5,000 Ordinary Shares with £0.17 paid up per share; and 10,000 Ordinary Shares with £0.18 paid up per share.
 - 3.1.15 On 7 June 2013, the Company issued 15,000 Ordinary Shares with £0.35 paid up per share; 10,000 Ordinary Shares with £0.18 paid up per share.
 - 3.1.16 On 11 June 2013, the Company issued 250,000 Ordinary Shares with £0.18 paid up per share; 100,000 Ordinary Shares with £0.255 paid up per share; 75,000 Ordinary Shares with £0.18 paid up per share; 25,000 Ordinary Shares with £0.17 paid up per share; and 25,000 Ordinary Shares with £0.15 paid up per share.
 - 3.1.17 On 19 June 2013, the Company issued 100,000 Ordinary Shares with £0.1925 paid up per share; and 12,500 Ordinary Shares with £0.35 paid up per share.
 - 3.1.18 On 1 July 2013, the Company issued 10,000 Ordinary Shares with £0.35 paid up per share.
 - 3.1.19 On 17 July 2013, the Company issued 6,000 Ordinary Shares with £0.35 paid up per share.
 - 3.1.20 On 2 August 2013, the Company issued 3,000 Ordinary Shares with £0.35 paid up per share.

- 3.1.21 On 15 August 2013, the Company issued 3,571 Ordinary Shares with £0.35 paid up per share.
- 3.1.22 On 23 August 2013, the Company issued 3,500 Ordinary Shares with £0.35 paid up per share.
- 3.1.23 On 10 September 2013, the Company issued 2,000 Ordinary Shares with £0.35 paid up per share.
- 3.1.24 On 17 September 2013, the Company issued 2,000 Ordinary Shares with £0.35 paid up per share.
- 3.1.25 On 24 September 2013, the Company issued 5,000 Ordinary Shares with £0.35 paid up per share.
- 3.1.26 On 2 December 2013, the Company issued 4,929 Ordinary Shares with £0.35 paid up per share.
- 3.1.27 On 17 December 2013, the Company issued 375,000 Ordinary Shares with £0.1925 paid up per share; 125,000 Ordinary Shares with £0.18 paid up per share; 180,000 Ordinary Shares with £0.35 paid up per share; and 20,000 Ordinary Shares with £0.35 paid up per share.
- 3.1.28 On 6 January 2014, the Company issued 290,000 Ordinary Shares with £0.35 paid up per share; and 10,000 Ordinary Shares with £0.35 paid up per share.
- 3.2 The issued share capital of the Company (all of which is fully paid) as at the date of this Document and as it is expected to be immediately following Admission is as follows:

	<i>At the date of this Document</i>		<i>Immediately following Placing and Admission¹</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value (£)</i>
Ordinary Shares	40,375,373	807,507.46	45,245,373	904,907.46

1. Includes the Option Exercise Shares.

- 3.3 On 27 May 2010 Shareholders passed resolutions on the following terms:
- 3.3.1 the Directors were generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to exercise all the powers of the Company to allot shares and grant rights to subscribe for, or convert any securities into, shares up to an aggregate nominal amount of £225,000, provided that such authority would, unless renewed, varied or revoked by the Company expire on 25 May 2015;
- 3.3.2 the Directors were given power pursuant to sections 570(1) and 573 of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the authority granted by paragraph 3.3.1 above as if section 561 of the 2006 Act did not apply to any such allotment;
- 3.3.3 the Company was generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of Ordinary Shares, provided that:
- the maximum aggregate number of Ordinary Shares that may be purchased is limited to 3,3000,000 being just under 10 per cent. of the Company's issued Ordinary Share capital as at 30 April 2010;
 - the minimum price (excluding expenses) which may be paid for each Ordinary Share is 2 pence; and
 - the maximum price (excluding expenses) which may be paid for each Ordinary Share is the higher of:
 - 105 per cent. of the average market value of an Ordinary Share for the five business days prior to the day the purchase is made; and
 - the value of an Ordinary Share calculated on the basis of the higher of the price quoted for (a) the last independent trade of, and (b) the highest independent bid for, any number of the Ordinary Shares on the trading venue where the purchase is carried out.

The authority conferred by this resolution shall expire on 26 May 2015 save that the Company may, before the expiry of the authority granted by this resolution, enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority; and

- 3.3.4 the Company adopted new articles of association in substitution for and to the exclusion of all existing articles of association of the Company.
- 3.4 Save as disclosed in this Document, there are no listed or unlisted securities issued by the Company not representing share capital and there are no convertible securities issued by the Company.
- 3.5 Save as disclosed in this Part IV, since 31 December 2013 (being the date of the most recent balance sheet of the Company included in Part IIIB of this Document):
 - 3.5.1 no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;
 - 3.5.2 no share or loan capital of the Company or of the Group has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;
 - 3.5.3 no person has any preferential subscription rights for any share capital of the Company;
 - 3.5.4 no commissions, discounts, brokerages or other special terms, have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company;
 - 3.5.5 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;
 - 3.5.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and
 - 3.5.7 there are no acquisition rights or obligations over any authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 3.6 The Ordinary Shares have been created under the 2006 Act and the Companies Act 1985.
- 3.7 The Ordinary Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.
- 3.8 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.9 The Company does not have in issue any securities not representing share capital.
- 3.10 As at the date of this Document, Options are outstanding over a total of 1,171,250 Ordinary Shares at exercise prices of between 18p and 35p per Ordinary Share.
- 3.11 There are no issued but not fully paid Ordinary Shares.
- 3.12 None of the Ordinary Shares has been marketed or is being made available to the public in whole or in part in conjunction with the application for Admission.
- 3.13 The Existing Ordinary Shares are admitted to dealing on ISDX. The Company has applied to withdraw its securities from ISDX prior to Admission. No application for admission to any other recognised investment exchange or other trading facility has been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 3.14 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4. ARTICLES

4.1 The Articles of the Company include provisions to the following effect:

4.1.1 *Objects*

The Articles contain no restriction on the objects of the Company.

4.1.2 *Capital*

The share capital of the Company is represented by an unlimited number of Ordinary Shares having the rights described in the Articles. Under the Articles, the directors from time to time are given the authority to allot shares in the Company or grant rights to subscribe or convert any securities into shares in the Company in accordance with section 551 of the 2006 Act.

Pre-emption rights apply in respect of an issue of Ordinary Shares save where such rights are disapplied in accordance with the 2006 Act.

4.1.3 *Rights attaching to Ordinary Shares*

(a) *Voting*

Subject to disenfranchisement in the event of (1) non-payment of calls or other monies due and payable in respect of Ordinary Shares or (2) non-compliance with a statutory notice requiring disclosure as to beneficial ownership of Ordinary Shares, and, without prejudice to any special rights previously conferred and subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, on a show of hands every shareholder who is present in person at a general meeting of the Company shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every Ordinary Share held.

(b) *Dividends*

Subject to the Statutes (as defined in the Articles), the Company at a general meeting may declare dividends to be paid to shareholders according to their rights and interests in the profits available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board. Except as otherwise provided by the rights attached to shares, all dividends shall be declared according to the amounts paid-up or credited as paid-up on the shares and apportioned and paid pro rata according to the amounts paid-up or credited as paid-up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to the shareholders such interim dividends as appear to the Board to be justified by the profits of the Company available for distribution. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

(c) *Distribution of assets on liquidation*

The Articles do not make specific provision for the distribution of assets on a liquidation of the Company.

4.1.4 *Transferability of Ordinary Shares*

All of the issued Ordinary Shares will until the Statutes otherwise permit be in registered form. Any shareholder may freely transfer all or any of his Ordinary Shares by an instrument of transfer in writing in any usual form or in any other form which the Board may approve.

A share held in uncertificated form may be transferred by means of a relevant system. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the Company's register in respect of it. There is no restriction on the registration of a duly stamped transfer of fully paid Ordinary Shares provided the transfer (a) is lodged with the Company, accompanied by the relevant share certificate and such other evidence of ownership as the Board may reasonably require, (b) is only in respect of one class of share and (c) is, in the case of a transfer to joint holders, in favour of not more than four transferees.

If any of the above conditions are not complied with, the Board has discretion whether or not to register the transfer in question.

If the Board refuses to register a transfer of shares held in certificated form, it shall as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal together with its reasons for the refusal.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share or for making any entry in the register affecting the title to any share.

The Company shall be entitled to retain any instrument of transfer which is registered, but (except in the case of fraud) any instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is given.

For all purposes of the Articles relating to the registration of transfers of shares, the renunciation of the allotment of any shares by the allottee in favour of some other person shall be deemed to be a transfer and the Board shall have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

If a member dies the survivor or survivors (where he was a joint holder) and the executors and administrators of the deceased (where he was a sole holder or the only survivor of joint holders) shall be the only persons recognised by the Company as having any title to his interest but nothing contained in the Articles shall release the estate of a deceased member from any liability in respect of any share which had been held (whether solely or jointly) by him.

4.1.5 **Shares in uncertificated form**

The directors have the power to implement arrangements for shares of any class to be held in uncertificated form and for such to be transferred without a written instrument, in accordance with the Uncertificated Securities Regulations 2001 ('the Regulations'). The provisions of the Regulations will apply notwithstanding any provisions in the Articles, which would otherwise be inconsistent with them.

4.1.6 **Variation of rights**

Subject to the Statutes, the special rights attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the written consent of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the issued shares of that class. The special rights conferred upon the holders of any shares or class of share shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* therewith or the purchase by the Company of any of its own shares.

4.1.7 **Changes in capital**

Subject to the provisions of the Statutes and to any special rights conferred on the holders of any shares or class of shares, the Company may issue redeemable shares. Subject to the provisions of the Statutes and to any special rights previously conferred on the holders of any existing shares, any share may be issued with such special rights or such restrictions as the Company may determine by ordinary resolution. The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person.

Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner. The Company may also, subject to the requirements of the Statutes, purchase its own shares.

4.1.8 **Untraced Shareholders**

Subject to various notice requirements (including placing of an advertisement in a newspaper local to the relevant Shareholder at the expiration of the 12 year period and having received no communication from that person in the 3 month period following the placing of the advertisement) the Company may sell any shares of a member or person entitled thereto who is untraceable, if during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to such member or person in respect of his shares have remained uncashed or mandated dividend payments have failed and the Company has received no indication of the existence of such member or person. The net proceeds of sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company in respect of those proceeds.

To give effect to any such sale, the Board may:

- (a) in relation to certificated shares, appoint any person to execute as transferor an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser and such instrument of transfer shall be as effective as if it had been executed by the holder of, or person entitled by transmission to, such shares; and
- (b) in relation to uncertificated shares, exercise any of the Company's powers under Article 16 to effect the transfer of the shares to, or in accordance with the directions of, the purchaser and the exercise of such powers shall be as effective as if exercised by the registered holder of, or person entitled by transmission to, such shares and the transferee is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity or invalidity in the proceedings relating to the sale.

If on two consecutive occasions notices or other communications (including dividend payments) have been sent through the post to any holder of shares to his registered or other specified address but returned undelivered or mandated dividend payments have failed, or following one such occasion and enquiries by the Company fail to establish a new address or account, the Company may cease to send such notices or other such communications or mandated payments until the person entitled thereto otherwise requires.

4.1.9 **Non-UK Shareholders**

There are no limitations in the Articles on the rights of non-UK shareholders to hold, or exercise voting rights attaching to, Ordinary Shares. However, no shareholder is entitled to receive notices from the Company, including notices of general meetings, unless he has given an address in the UK to the Company to which such notices may be sent.

4.1.10 **Sanctions on Shareholders**

A holder of Ordinary Shares loses his rights to vote in respect of Ordinary Shares if and for so long as he or any other person appearing to be interested in those shares fails to comply with a request by the Company under the 2006 Act requiring him to give particulars of any interest in those Ordinary Shares within 14 days. In the case of shareholdings representing 0.25 per cent. or more, in nominal amount, of the share capital of the Company then in issue, or any class thereof, the sanctions which may be applied by the Company include not only disenfranchisement but also the withholding of the right to receive payment of dividends and other monies payable on, and restrictions on transfers of, the Ordinary Shares concerned.

4.1.11 **Directors**

Unless otherwise determined by the Board, or by Ordinary Resolution, the number of Directors shall not be less than two.

The Directors (other than those holding executive office with the Company or any subsidiary of the Company) shall be paid by way of fees for their services at such rate and in such proportion as the Board may resolve, a sum not exceeding an aggregate of £25,000 per annum or such larger amount as the Company may by ordinary resolution determine or, in the case of such Directors who are resident outside the UK, such extra remuneration as the Board may determine. Any Director who holds executive office or who performs duties outside the ordinary duties of a Director, may be paid such remuneration or extra remuneration by way of salary, commission or otherwise as the Board may determine. Any Director holding office for part of a year shall, unless otherwise agreed, be entitled only to a proportionate part of such fee.

The Directors shall also be paid all expenses properly incurred by them in attending meetings of the Company or of the Board or otherwise in connection with the business of the Company.

A Director who is in any way, whether directly or indirectly, interested in any contract or proposed contract with the Company shall declare the nature of his interest at the meeting of the Board at which the entering in to the contract is first taken into consideration in accordance with the Statutes.

A Director shall not vote, and shall not be counted in a quorum, in respect of any contract, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of shares or debentures or other securities of or otherwise through the Company), except that this prohibition shall not apply to:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any contract or arrangement by a Director to participate in an offer of shares or in the underwriting or sub-underwriting of any offer of shares, debentures or other securities of the Company or any of its subsidiaries for subscription or purchase;
- (d) any contract or arrangement concerning any other company in which the Director and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company. For the purpose of this paragraph, there shall be disregarded any shares held by a Director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the Director's interest is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder;
- (e) any contract or arrangement concerning the adoption, modification or operation of a pension or retirement, death or disability benefits scheme or personal pension or employee share scheme which has been approved by HM Revenue and Customs which does not avail him any privilege or benefit not awarded to employees to whom the scheme or fund relates;
- (f) any arrangement for the benefit of employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (g) any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of *inter alia* any Directors of the Company.

The Directors may, in accordance with the requirements set out in the articles, authorise any matter or situation proposed to them by any director which would, if not authorised, involve

a Director (as 'Interested Director') breaching his duty under section 175 of the 2006 Act to avoid conflicts of interest (a 'Conflict').

Subject to the provisions of the Statutes, and provided that he had disclosed to the Board the nature and extent of any material interest of his, a Director notwithstanding his office may hold any other office or place of profit with the Company, be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested, may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested and shall not, by reason of his office, be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. Any Director may act by himself or by his firm in any professional capacity (other than auditor) and he or his firm shall be entitled to remuneration as if he were not a Director.

A Director aged 70 or more shall be capable of being appointed a Director and shall not be required to retire by reason of his age.

The Directors are not required to hold qualification shares.

At each annual general meeting of the Company one-third (or the nearest number to one-third) of the Directors shall retire from office by rotation together with any Director who is required to retire in accordance with the Articles. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

The Company may from time to time by ordinary resolution appoint any person to be a Director. The Directors may also from time to time appoint one or more Directors but any Director so appointed shall retire at or at the end of the next annual general meeting of the Company but shall then be eligible for re-election and any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The Company may by Ordinary Resolution remove any Director before the expiration of his period of office. Such removal shall be without prejudice to any claims such Director may have or damages or breach of any contract of service between him and the Company.

4.1.12 ***Borrowing Powers***

The Articles provide that subject to borrowings not thereby exceeding a sum equal to two times the Company's adjusted capital and reserves the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and to issue debentures, and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.1.13 ***Annual General Meetings and General Meetings***

An annual general meeting shall be held at such time and place as the Board may determine. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the 2006 Act, shall forthwith convene a general meeting. If there are not sufficient Directors capable of acting to call a general meeting, any Director may call a general meeting. If there is no Director able to act any two members may call a general meeting for the purpose of appointing Directors.

An annual general meeting shall be called by at least 21 days' clear notice in writing. A meeting of the Company other than an annual general meeting shall be called by not less than 14 days' clear notice. The notice shall specify the place, the day and the time of the meeting and, in the case of special business, the general nature of that business. A notice calling an annual general meeting shall specify the meeting as such and a notice for the passing of a

special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Every member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

The accidental omission to give notice of a meeting, or to send an instrument of proxy or invitation to appoint a proxy as provided by the Articles, to any person entitled to receive notice, or the non-receipt of notice of a meeting or instrument of proxy or invitation to appoint a proxy by such a person, shall not invalidate the proceedings at that meeting.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, vote and speak instead of him and that a proxy need not be a member.

5. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO THE ORDINARY SHARES

5.1 Mandatory bid

5.1.1 The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquirer or its concert parties during the previous 12 months.

5.1.2 This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

5.2 Squeeze-out

5.2.1 Under the 2006 Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their Ordinary Shares and then, six weeks later, it would execute a transfer of the outstanding Ordinary Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders.

5.2.2 The consideration offered to the Shareholders whose shares are compulsorily acquired under the 2006 Act must, in general, be the same as the consideration that was available under the takeover offer unless the Shareholders can show that the offer value is unfair.

5.3 Sell-out

5.3.1 The 2006 Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising.

5.3.2 The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

6. DISCLOSURE OF INTERESTS

6.1 Directors' and other interests

6.1.1 As at the date of this Document and immediately following the Placing and Admission, the interests of the Directors (including persons connected with the Directors within the meaning of section 252 of the 2006 Act) in the issued share capital of the Company excluding any Options in respect of such capital (details of which are set out at paragraph 6.1.2 of this Part IV) are and are expected to be, respectively, as follows:

<i>Director and related</i>	<i>At the date of this Document</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital⁷</i>
Graham Whitworth ¹	3,786,700	9.4	3,500,000	7.7
Nicholas Rutter	3,184,250	7.9	3,000,000	6.6
John Gahan ²	300,000	0.8	50,000	0.1
John Walsh ^{3, 4}	525,667	1.3	525,667	1.2
Peter Brigham ⁵	276,160	0.7	276,160	0.6
Peter Lawrence ⁶	715,214	1.8	515,214	1.1
William Payne	289,167	0.7	100,000	0.2
Ashley Silverton	20,000	0.1	20,000	0.04
Thomas Russo	–	–	–	–

1. Includes shares held by Vivien Whitworth, wife of Graham Whitworth.

2. Includes shares held by Alexandra Gahan, wife of John Gahan.

3. Includes shares held by Kimberley Walsh, wife of John Walsh.

4. John Walsh will cease to be a Director of the Company immediately prior to Admission.

5. Peter Brigham will cease to be a Director of the Company immediately prior to Admission.

6. Peter Lawrence's shares are held by Rock (Nominees) Limited on behalf of Mr. Lawrence.

7. The Enlarged Share Capital includes the Option Exercise Shares.

6.1.2 As at the date of this Document, the following Old EMI Options have been granted to the following Directors:

<i>Director</i>	<i>Date of grant</i>	<i>Option shares</i>	<i>Exercise price (£)</i>	<i>Exercise period</i>
Graham Whitworth	7.5.2008	285,000	0.1925	7.5.2011 – 6.5.2015
Graham Whitworth	30.6.2010	75,000	0.35	30.6.2013 – 29.6.2017
Nick Rutter	7.5.2008	435,000	0.1925	7.5.2011 – 6.5.2015
Nick Rutter	30.6.2010	75,000	0.35	30.6.2013 – 29.6.2017

Further details of the Old EMI Scheme are set out in paragraph 12.3 of this Part IV.

The Company is aware that all of the above options will be exercised prior to Admission. The 870,000 New Ordinary Shares to be issued upon the exercise of such options are referred to in this Document as the Option Exercise Shares.

6.1.3 It is intended that, prior to Admission, Options will be granted to the Executive Directors under the 2014 EMI Plan. The shares over which Options are granted to each such Executive Director will have an aggregate market value of no greater than £250,000 (measured at the date of grant of the Options).

Further details of the 2014 EMI Plan are set out in paragraph 12.1 of this Part IV.

6.1.4 Save as disclosed in this paragraph 6, none of the Directors or any member of their families, nor any person connected with them within the meaning of section 252 of the 2006 Act, has any interest in the issued share capital of the Company or its subsidiaries.

6.1.5 Save as disclosed in this paragraph 6, as at the date of this Document, none of the Directors or any member of their families, nor any person connected with them within the meaning of section 252 of the 2006 Act, has any option over or warrant to subscribe for any shares in the Company.

6.1.6 Save for the Placing Agreement referred to in paragraph 10.1 of this Part IV, the service agreements and letters of appointment referred to in paragraphs 7.1.1 to 7.1.8 of this Part IV, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission or the Placing.

6.1.7 None of the Directors or any member of their families, nor any person connected with them within the meaning of section 252 of the 2006 Act, holds or has held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.

6.2 Major Shareholders

6.2.1 In addition to those disclosed at paragraph 6.1.1 above, the Company is aware of the following persons who, as at 23 April 2014 (being the latest practicable date before publication of this Document) have, and immediately following Admission are expected to have, interests in voting rights over 3 per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>At the date of this Document</i>		<i>Immediately following Placing and Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Share Capital²</i>
BRK Brands	10,732,149	26.8	10,732,149	23.7
Scotia McLeod ITF EC	2,600,000	6.5	2,600,000	5.7
Rock (Nominees) Limited ¹	2,369,472	5.9	2,169,472	4.8
Close Asset Management Limited	1,827,360	4.5	2,037,360	4.5
Miton Capital Partners Limited	533,964	1.3	1,831,143	4.0
Jolyon Money	1,518,361	3.8	1,518,361	3.4

1. Includes shares held on behalf of Peter Lawrence, a Non-executive Director.

2. The Enlarged Share Capital includes the Option Exercise Shares.

6.2.2 Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

6.3 Neither the Directors nor any substantial Shareholders have different voting rights to other holders of the share capital of the Company.

6.4 On 29 April 2013, BRK Brands, a wholly owned subsidiary of Jarden (the current holder of 26.8 per cent. of the issued share capital of the Company), announced a cash offer to acquire the entire issued and to be issued share capital of the Company not already owned by BRK Brands. The offer

Document was dated 3 May 2013. BRK Brands offered to acquire the Company's shares from the remaining Shareholders at a price of 90 pence per share. The BRK Brands offer was conditional on valid acceptances being received from Shareholders representing more than 50 per cent. of the voting rights in the Company by not later than 1.00 pm on 24 May 2013. By the deadline, the BRK Brands offer had received acceptances from Shareholders representing 1.26 per cent. of the Company's voting rights. This level of acceptance was not sufficient for BRK Brands to reach the required holding of Company shares for a successful takeover and therefore the offer lapsed on 24 May 2013.

7. DIRECTORS' SERVICE AGREEMENTS AND TERMS OF APPOINTMENT

7.1 Summary details of the service agreements and letters of appointment entered into between the Company and the Directors are set out below:

7.1.1 Graham Whitworth (*Executive Chairman and Group Chief Executive Officer*) entered into a service agreement with the Company dated 24 October 2000. Mr Whitworth entered into a new service agreement with the Company on 24 April 2014. Mr Whitworth's period of continuous employment with the Company commenced on 24 October 2000. His appointment is terminable on 12 months' notice by either party.

Mr Whitworth's salary is £140,747.15 per annum. The agreement also provides for a 5 per cent. pension contribution from the Company, an annual car allowance of £7,800, life assurance cover and private medical insurance.

Mr Whitworth is entitled to participate in the Company's bonus scheme and is contractually entitled to a bonus calculated by reference to the Group's earnings before interest and taxation ('EBIT') against budget as outlined below:

- If the Group's EBIT is less than 90 per cent. of the Group's EBIT budget for the financial year, no bonus is payable.
- Achievement of 90 per cent. of the Group's EBIT budget delivers a bonus of 80 per cent. of 50 per cent. of Graham Whitworth's notional basic salary (being a bonus equivalent to 40 per cent. of his notional basic salary).
- Achievement of 100 per cent. of the Group's EBIT budget delivers a bonus of 100 per cent. of 50 per cent. of Graham Whitworth's notional basic salary (being a bonus equivalent to 50 per cent. of his notional basic salary).
- Achievement of 110 per cent. of the Group's EBIT budget delivers a bonus of 120 per cent. of 50 per cent. of Graham Whitworth's notional basic salary (being a bonus equivalent to 60 per cent. of his notional basic salary).
- Once 90 per cent. of the Group's EBIT budget has been achieved, each 1 per cent. that Group EBIT exceeds the Group's EBIT budget, the bonus per cent. increases by 2 per cent. (an example of how bonus is calculated in these circumstances is outlined above, using 100 per cent. of the Group's EBIT budget having been achieved as the example).
- Bonus potential is uncapped.

For the purposes of the bonus calculation, notional basic salary is Graham Whitworth's basic salary as stated in the service agreement entered into between Graham Whitworth and the Company in April 2014 (prior to any deductions or salary sacrifice arrangements taking effect).

7.1.2 Nicholas Rutter (*Managing Director*) entered into a service agreement with the Company on 24 October 2000. Mr Rutter entered into a new service agreement with the Company on 24 April 2014. Mr Rutter's period of continuous employment commenced on 24 October 2000. His appointment is terminable on 12 months' notice by either party.

Mr Rutter's salary is £115,676.71 per annum. The agreement also provides for a 5 per cent. pension contribution from the Company, an annual car allowance of £7,800, life assurance cover and private medical insurance.

Mr Rutter is entitled to participate in the Company's bonus scheme and is contractually entitled to a bonus calculated by reference to the Group's EBIT against budget as outlined below:

- If the Group's EBIT is less than 90 per cent. of the Group's EBIT budget for the financial year, no bonus is payable.
- Achievement of 90 per cent. of the Group's EBIT budget delivers a bonus of 80 per cent. of 50 per cent. of Nick Rutter's notional basic salary (being a bonus equivalent to 40 per cent. of his notional basic salary).
- Achievement of 100 per cent. of the Group's EBIT budget delivers a bonus of 100 per cent. of 50 per cent. of Nick Rutter's notional basic salary (being a bonus equivalent to 50 per cent. of his notional basic salary).
- Achievement of 110 per cent. of the Group's EBIT budget delivers a bonus of 120 per cent. of 50 per cent. of Nick Rutter's notional basic salary (being a bonus equivalent to 60 per cent. of his notional basic salary).
- Once 90 per cent. of the Group's EBIT budget has been achieved, each 1 per cent. that Group EBIT exceeds the Group's EBIT budget, the bonus per cent. increases by 2 per cent. (an example of how bonus is calculated in these circumstances is outlined above, using 100 per cent. of the Group's EBIT budget having been achieved as the example).
- Bonus potential is uncapped.

For the purposes of the bonus calculation, notional basic salary is Nick Rutter's basic salary as stated in the service agreement entered into between Nick Rutter and the Company in April 2014 (prior to any deductions or salary sacrifice arrangements taking effect).

7.1.3 John Gahan (*Group Finance Director*) entered into a service agreement with the Company dated 4 January 2010. Mr Gahan entered into a new Service Agreement with the Company on 24 April 2014. Mr Gahan's period of continuous employment commenced on 4 January 2010. His appointment is terminable on 12 months' notice by either party.

Mr Gahan's salary is £110,552.70 per annum. The agreement also provides for a 5 per cent. pension contribution from the Company, an annual car allowance of £7,800, life assurance cover and private medical insurance.

Mr Gahan is entitled to participate in the Company's bonus scheme and is contractually entitled to a bonus calculated by reference to the Group's EBIT against budget as outlined below:

- If the Group's EBIT is less than 90 per cent. of the Group's EBIT budget for the financial year, no bonus is payable.
- Achievement of 90 per cent. of the Group's EBIT budget delivers a bonus of 80 per cent. of 50 per cent. of John Gahan's notional basic salary (being a bonus equivalent to 40 per cent. of his notional basic salary).
- Achievement of 100 per cent. of the Group's EBIT budget delivers a bonus of 100 per cent. of 50 per cent. of John Gahan's notional basic salary (being a bonus equivalent to 50 per cent. of his notional basic salary).
- Achievement of 110 per cent. of the Group's EBIT budget delivers a bonus of 120 per cent. of 50 per cent. of John Gahan's notional basic salary (being a bonus equivalent to 60 per cent. of his notional basic salary).
- Once 90 per cent. of the Group's EBIT budget has been achieved, each 1 per cent. that Group EBIT exceeds the Group's EBIT budget, the bonus per cent. increases by 2 per cent. (an example of how bonus is calculated in these circumstances is outlined above, using 100 per cent. of the Group's EBIT budget having been achieved as the example).
- Bonus potential is uncapped.

For the purposes of the bonus calculation, notional basic salary is John Gahan's basic salary as stated in the service agreement entered into between John Gahan and the Company in April 2014 (prior to any deductions or salary sacrifice arrangements taking effect).

7.1.4 John Walsh (*Business Development Director*) joined the Company on 14 June 2002. Mr Walsh entered into a new service agreement on 24 April 2014. Mr Walsh's period of continuous employment with the Company commenced on 14 June 2002. His appointment is terminable on 12 months' notice by either party.

Mr Walsh's salary is £107,976.61 per annum. The agreement also provides for 5 per cent. pension contribution from the Company, an annual car allowance of £7,800, life assurance cover and private medical insurance. Mr Walsh is entitled to participate in the Company's bonus scheme and is contractually entitled to a bonus calculated by reference to the Group's EBIT against budget as outlined below:

- If the Group's EBIT is less than 90 per cent. of the Group's EBIT budget for the financial year, no bonus is payable.
- Achievement of 90 per cent. of the Group's EBIT budget delivers a bonus of 80 per cent. of 50 per cent. of John Walsh's notional basic salary (being a bonus equivalent to 40 per cent. of his notional basic salary).
- Achievement of 100 per cent. of the Group's EBIT budget delivers a bonus of 100 per cent. of 50 per cent. of John Walsh's notional basic salary (being a bonus equivalent to 50 per cent. of his notional basic salary).
- Achievement of 110 per cent. of the Group's EBIT budget delivers a bonus of 120 per cent. of 50 per cent. of John Walsh's notional basic salary (being a bonus equivalent to 60 per cent. of his notional basic salary).
- Once 90 per cent. of the Group's EBIT budget has been achieved, each 1 per cent. that Group EBIT exceeds the Group's EBIT budget, the bonus per cent. increases by 2 per cent. (an example of how bonus is calculated in these circumstances is outlined above, using 100 per cent. of the Group's EBIT budget having been achieved as the example).
- Bonus potential is uncapped.

For the purposes of the bonus calculation, notional basic salary is John Walsh's basic salary as stated in the service agreement entered into between John Walsh and the Company in April 2014 (prior to any deductions or salary sacrifice arrangements taking effect).

In 2013 an agreement was entered into between John Walsh and the Company pursuant to which it was agreed that in addition to Mr Walsh's bonus, he would also receive sales commission based on sales revenue for certain products sold between the period of 1 March 2013 and 31 December 2013. This additional payment totalled £30,000.

7.1.5 Peter Brigham (*Technical Director*) entered into a service agreement with the Company on 27 June 2008. Mr Brigham entered into a new service agreement with the Company on 24 April 2014. Mr Brigham's period of continuous employment commenced on 27 June 2008. His appointment is terminable on 12 months' notice by either party.

Mr Brigham's salary is £92,025.00 per annum. The agreement also provides for 5 per cent. pension contribution from the Company, an annual car allowance of £7,800, life assurance cover and private medical insurance. Mr Brigham is entitled to participate in the Company's bonus scheme and is contractually entitled to a bonus calculated by reference to the Group's EBIT against budget as outlined below:

- If the Group's EBIT is less than 90 per cent. of the Group's EBIT budget for the financial year, no bonus is payable.
- Achievement of 90 per cent. of the Group's EBIT budget delivers a bonus of 80 per cent. of 50 per cent. of Peter Brigham's notional basic salary (being a bonus equivalent to 40 per cent. of his notional basic salary).
- Achievement of 100 per cent. of the Group's EBIT budget delivers a bonus of 100 per cent. of 50 per cent. of Peter Brigham's notional basic salary (being a bonus equivalent to 50 per cent. of his notional basic salary).
- Achievement of 110 per cent. of the Group's EBIT budget delivers a bonus of 120 per cent. of 50 per cent. of Peter Brigham's notional basic salary (being a bonus equivalent to 60 per cent. of his notional basic salary).

- Once 90 per cent. of the Group's EBIT budget has been achieved, each 1 per cent. that Group EBIT exceeds the Group's EBIT budget, the bonus per cent. increases by 2 per cent. (an example of how bonus is calculated in these circumstances is outlined above, using 100 per cent. of the Group's EBIT budget having been achieved as the example).
- Bonus potential is uncapped.

For the purposes of the bonus calculation, notional basic salary is Peter Brigham's basic salary as stated in the service agreement entered into between Peter Brigham and the Company in April 2014 (prior to any deductions or salary sacrifice arrangements taking effect).

- 7.1.6 Peter Lawrence (*Non-Executive Director*) entered into a letter of appointment with the Company on 5 October 2000 (although his appointment took effect from 8 June 2000). Mr Lawrence entered into a new letter of appointment on 24 April 2014. As Mr Lawrence has indicated his intention to resign as a Director and step down from the Board in due course upon the appointment of a suitable replacement, his appointment may be terminated by the Company giving Mr Lawrence three months' prior written notice or by Mr Lawrence giving the Company three months' prior written notice. The annual fee payable is £10,200.
- 7.1.7 William Payne (*Non-Executive Director*) provides consultancy services to the Company through Wilkins Kennedy LLP, Chartered Accountants and Business Advisors. A letter of engagement was entered into between the Company and Wilkins Kennedy LLP dated 29 July 2010. Wilkins Kennedy LLP and the Company have signed a new engagement letter on 24 April 2014 in respect of this arrangement. Mr Payne's appointment pursuant to this agreement is for an initial term expiring on the date falling one year after the date of the engagement, and shall continue after that initial term unless terminated by the Company giving Mr Payne three months' prior written notice or by Wilkins Kennedy LLP giving the Company three months' prior written notice, either such notice not to expire earlier than the end of the initial term. The annual fee payable is £12,000 (plus VAT).
- 7.1.8 Ashley Silverton (*Non-Executive Director*) entered into a letter of appointment with the Company on 15 July 2011 (although the appointment took effect from 1 March 2011).
- Mr Silverton has also provided consultancy services through Silverton Advisory since 1 March 2011. The consultancy services relate to Mr Silverton's role as Non-executive Director of the Company. Silverton Advisory, the Company and Mr Silverton signed a new contract for services on 24 April 2014 in respect of this consultancy arrangement. Mr Silverton's appointment is for an initial term expiring on the date falling one year after the date of the contract for services, and shall continue after that initial term unless terminated by the Company giving Mr Silverton three months' prior written notice or by Mr Silverton giving the Company three months' prior written notice, either such notice not to expire earlier than the end of the initial terms. The annual fee payable is £14,400 (plus VAT).
- 7.1.9 Thomas Russo (*Non-Executive Director*) entered into a letter of appointment with the Company on 24 April 2014 although he has been a non-executive director of the Company since 29 September 2011. Mr Russo is the nominated director of Jarden, pursuant to an agreement with Jarden (further details of which are set out in paragraph 10.6 of this Part IV), which permits Jarden to nominate a director for as long as it holds 12 per cent. of the issued share capital of the Company. No annual fee is payable to Mr Russo.

8. ADDITIONAL INFORMATION ON THE DIRECTORS

- 8.1 The Directors currently hold (in addition to the Company) the following directorships and are partners in the following partnerships and have held the following directorships and have been partners in the following partnerships within the five years prior to the publication of this Document:

<i>Director Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Graham	AngelEye Corporation (Canada)	Intelliswitch UK Limited
Whitworth	AngelEye, Inc (USA) Pace Sensors Limited (Canada) Sprue Safety Products Limited	Touch'N Glo Limited

<i>Director Name</i>	<i>Current Directorships/Partnerships</i>	<i>Former Directorships/Partnerships</i>
Nicholas Rutter	Sprue Safety Products Limited	–
John Gahan	Calmwater Limited Sprue Safety Products Limited	–
John Walsh	AngelEye, Inc (USA) AngelEye Corporation (Canada) J F Walsh Ventures, Inc (Canada) Pace Sensors Limited (Canada) Sprue Safety Products Limited	–
Peter Brigham	Gadgets4good C.I.C. Sprue Safety Products Limited.	Norman Road Residents Limited
Peter Lawrence	Algodon Europe Limited Algodon Luxury Wine Estates Inc (USA) Infinity IP Limited Sprue Safety Products Limited The Judith Trust	BFA Holdings Limited Close Beacon Investment Fund Limitedspace Solutions Limited Polastar plc
William Payne	Ariana Resources plc Ferensway Limited Marlowe Investments (Kent) Limited Millard Estates Limited Millard Properties Limited Paynard Investments Limited ReallyEnglish.Com Limited ReallyEnglish (UK) Limited Sprue Safety Products Limited West Bridge Consulting Limited Wilkins Kennedy LLP	Kibo Mining plc Merton Publishing Limited PBG Property Management Limited W.H. Payne Financial Services Limited
Ashley Victor Silverton	Silverton Advisory	–
Thomas Russo	Imaging Solutions LLC Shenzen CICAM Manufacturing Co. Limited (China)	–

8.2 Save as set out in this Document, no Director has:

- 8.2.1 any unspent convictions in relation to indictable offences (including fraudulent offences);
- 8.2.2 ever had any bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;
- 8.2.3 ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- 8.2.4 ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 8.2.5 owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership;

- 8.2.6 received any official public criticism and/or sanction by any statutory or regulatory authority (including recognised professional bodies); or
- 8.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.

9. EMPLOYEES

The number of employees of the Group on average for each financial year and at the end of the period covered by the historical financial information set out in Part IIIB of this Document and at the date of this Document and a breakdown of the main categories of employment are as follows:

	2011	2012	2013	<i>As at the date of this document</i>
Pace Sensors manufacturing	8	21	42	52
Technology	15	15	17	22
Administration	19	19	22	30
Sales and Marketing	18	17	19	24
Executive and non-executive Directors	9	9	9	9
Warehousing	5	5	5	3
Total	<u>74</u>	<u>86</u>	<u>114</u>	<u>140</u>

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, either have been (i) entered into by the Group within the two years immediately preceding the date of this Document and are, or may be, material or (ii) entered into by any member of the Group and contain a provision under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this Document:

- 10.1 The Company, the Directors and Westhouse Securities have entered into the Placing Agreement pursuant to which Westhouse Securities has agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers or purchasers, as the case may be, for the Placing Shares.

The Company has agreed, subject to certain conditions, to allot and issue, at the Placing Price, the New Ordinary Shares (excluding the Option Exercise Shares). Each Selling Shareholder has agreed, subject to certain conditions, to sell, at the Placing Price, the Sale Shares to be sold by him in connection with the Placing.

The Company undertakes to pay to Westhouse Securities commissions on the total funds raised pursuant to the Placing of the New Ordinary Shares (excluding the Option Exercise Shares). In addition, the Company has agreed to pay or cause to be paid (together with any applicable VAT) all costs, charges, fees and expenses of or arising in connection with, or incidental to, the Placing.

The Selling Shareholders severally undertake to pay to Westhouse Securities a commission on the total funds raised pursuant to the Placing of the Sale Shares.

Westhouse Securities shall be entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including the occurrence of certain material changes in the condition (financial or otherwise) or prospects of the Company and certain changes in financial, political or economic conditions.

The Company, the Directors and the Selling Shareholders severally have given certain customary representations and warranties to Westhouse Securities. In addition, the Company and the Executive Directors have given certain indemnities to Westhouse Securities.

Each of the directors of the Company at Admission has undertaken to the Company and Westhouse Securities, subject to certain customary exceptions, not to dispose of their respective interests in Ordinary Shares in the 12 month period following Admission other than with the prior written consent

of the Company and Westhouse Securities (such consent shall not be unreasonably delayed and may only be withheld in circumstances that such transaction would or might reasonably be expected to create a disorderly market in the Ordinary Shares). John Walsh and Peter Brigham have undertaken not to dispose of their respective interests in Ordinary Shares in the 12 month period following Admission other than through Westhouse Securities.

- 10.2 On 24 April 2014 the Company entered into an agreement with Westhouse Securities, pursuant to which the Company appointed Westhouse Securities to act as nominated adviser and broker to the Company from Admission and thereafter subject to termination at any time following 12 months from Admission by giving 90 days' written notice by either party. In consideration of its services, the Company will pay Westhouse Securities an annual retainer of £55,000.
- 10.3 In April 2010, the Company entered into the Distribution Agreement with (i) BRK Brands Inc., (ii) BRK Brands, (iii) FireAngel Limited (now SSPL) and (iv) Jarden, with an effective date of 31 March 2010. The agreement provides that the Company and SSPL are to be exclusive distributors for the sale and promotion of (i) smoke detectors, (ii) CO detectors, (iii) gas detectors, (iv) aerosol fire suppressants, (v) fire extinguishers, (vi) safes and (vii) cash boxes, in the Territory (the EU). The initial term shall be for a period of five years, and indefinitely thereafter for successive terms of five years until terminated by either party giving at least 12 months' prior written notice. Under the Distribution Agreement, SSPL pays BRK Brands approximately £4.2 million (before other costs) per annum as part of the distribution arrangements.

The Company and SSPL indemnify BRK Brands and its group companies in relation to claims, demands, actions or proceedings arising in relation to transferring employees or failure of the Company or SSPL to comply with certain regulations in the Transfer of Undertaking (Protection of Employees) Regulations 2006. The Company and SSPL also indemnify BRK Brands against all expenses, claims, damages and loss in relation to failures to keep specific leasehold properties in no worse state of repair than they were at the 'Effective Date' (31 March 2010).

The Distribution Agreement provides that at any point from 1 July 2011 onwards, in respect of France alone, in the event that the Company and SSPL fail to generate sales into France of USD500,000 per annum, BRK Brands may serve a written notice on the Company and SSPL requiring an increase to annualised sales to USD500,000 within six months. If the Company and SSPL are unable to meet this within six months, the Company and SSPL will lose their distribution exclusivity in France.

- 10.4 On 20 March 2014, heads of terms were entered into between the parties to the Distribution Agreement in which those parties state that they wish to put in place an amended and extended distribution agreement effective from 1 April 2015 and for an initial three year term with rolling one year extensions, with a twelve month notice period (the 'Extension Agreement'). The Extension Agreement also provides for a reduction in the annual distribution fee payable by SSPL over the term of the extension agreement.
- 10.5 On 7 April 2014, a clarification letter (the 'Clarification Letter') was entered into between the parties to the Distribution Agreement in which it is confirmed that, *inter alia*: i) the initial term of the Distribution Agreement shall expire on 31 March 2015 and the new term (the 'New Term') shall commence on 1 April 2015; ii) the distribution fee in respect of the New Term shall be reduced to £3.1 million, £2.9 million and £2.9 million for the twelve month periods ending 31 March 2015, 31 March 2016 and 31 March 2017, respectively. The Clarification Letter further provides, *inter alia*, that:
- 10.5.1. the New Term shall be for a minimum period of three years to 31 March 2018 with twelve months' notice required by either party to terminate the Distribution Agreement (as amended) on or after that date and without prejudice to any other rights to terminate set out in the Distribution Agreement. Unless terminated, the term of the Distribution Agreement (as amended) will automatically renew on the same terms for rolling periods of 12 months;
 - 10.5.2. with effect from the commencement of the New Term, a fixed GBP/USD exchange rate of USD1.62 shall apply;
 - 10.5.3. the following shall apply to the terms upon which the Company engages Detector Technologies Limited ('DTL') to manufacture certain products:
 - 10.5.3.1. existing stock keeping units ('SKUs') shall be exclusively supplied by DTL and in respect of new SKUs DTL shall have a right of first refusal;

- 10.5.3.2. with effect from commencement of the New Term, the credit terms available to the Company shall be extended to net 90 days landed;
 - 10.5.3.3. with effect from commencement of the New Term, products will be provided at a fixed GBP/USD exchange rate of USD1.62;
 - 10.5.3.4. the product prices will be fixed for two years from 1 January 2014;
 - 10.5.4. the parties agree that BRK Brands shall not be liable for any product warranty issues relating to products manufactured or sold before 1 March 2014 provided that the Company was aware of such issues on or before 1 March 2014 and product warranty liability (including any claims pursuant to Clause 3 of Schedule 12 of the Distribution Agreement) shall be limited to product costs only and not profit margin (i.e. not full retail price);
 - 10.5.5. the Company shall use its best efforts to obtain consent from Onelec SAS by no later than 1 June 2014 to allow MAPA SAS to sell to French customer Leroy Merlin on an exclusive basis and such sales will include the new exclusive SKUs to be designed and sold to Leroy Merlin; and
 - 10.5.6. the parties will negotiate in good faith with a view to settling and implementing as soon as reasonably practical (i) the other terms set out in Schedule 1 to the Extension Agreement (and matters ancillary thereto) and (ii) dealing with any matters which are redundant, have been superseded or otherwise require updating in an amended and restated version of the Distribution Agreement before 30 June 2014. For the avoidance of doubt, if the parties fail to agree any such matter the terms of the Distribution Agreement shall prevail and shall continue to apply to such matter until varied by the parties in writing.
- 10.6 On 7 April 2010, the Company entered into an agreement with Jarden, pursuant to which, for so long as Jarden and its affiliates hold at least 12 per cent. of the Shares in issue, Jarden has the right, at any time, to appoint and maintain in office, subject to the Articles of Association of the Company, one person as Jarden may from time to time nominate to be the Jarden Director and to remove any Director so appointed and, upon his removal (whether by Jarden or otherwise) to appoint another person to act as the Jarden Director in his place.
- The Jarden Director is not entitled to payment save for the reimbursement of reasonable out of pocket expenses incurred by Jarden or the Jarden Director in attending meetings of the Company or carrying out authorised business of the Company.
- Jarden indemnifies the Company from all costs that may be incurred by the Company arising from any claim by a former Jarden Director for loss of employment and/or office as a result of the removal by Jarden of a Jarden Director.
- For so long as there is a Jarden Director, the Board must appoint and maintain in office a person as they may from time to time nominate, such person to be subject to the approval of Jarden (such approval not to be unreasonably withheld or delayed) as a Director (the 'Neutral Director') and to remove any Director so appointed and, upon his removal, to appoint another Director in his place. Subject to Jarden's approval, the Neutral Director is to be appointed by a majority vote of the other Directors and may be removed at any time upon the vote of a majority of the Directors other than the Neutral Director.
- 10.7 In September 2012, SSPL entered into an amendment agreement with B&Q in relation to the supply of products by SSPL to B&Q. The agreement amends, or provides additional terms in relation to, B&Q's standard vendor buying agreement entered into between B&Q and the Company on 1 January 2011. The Company has requested that B&Q novate the vendor buying agreements from the Company to SSPL. It is expected that B&Q will comply with this request in due course. The Effective Date is 1 September 2012, and the agreement continues for a period of three years.
- 10.8 On 1 August 2008, the Company entered into an agreement with QSA Global Limited (now DTL, part of the Jarden group), in respect of the manufacture and supply by DTL of smoke detector products developed by the Company. The DTL Agreement is for a minimum term of three years. Termination thereafter is by 12 months' notice from either party.

The Company indemnifies DTL in respect of claims in respect of losses in connection with any death, personal injury or physical damage to property arising out of or in connection with: (i) any equipment (being tools provided by the Company to manufacture the products as defined in the agreement), or (ii) the design of the products (save to the extent the claim is due to a manufacturing defect or a failure by DTL to maintain the equipment), subject to certain limitations of liability, which vary depending upon whether the relevant product was supplied in (or outside) the United States. DTL is required to allow the Company sole control of the relevant claim.

The Company indemnifies DTL against all damages or other compensation arising in relation to third party intellectual property claims against DTL in respect of intellectual property of the Company. This indemnity is not subject to any limit on liability. However, DTL is required to allow the Company sole control of the relevant claim.

At each anniversary of the agreement, DTL has the option to adjust the prices of products supplied in order to maintain their gross margin based upon the Company's forecast volumes and mix of products for the subsequent year.

- 10.9 In December 2009, the Company entered into a manufacturing and distribution agreement with: (i) Kehoe Component Sales, Inc (referred to in the agreement as 'Pace Electronics') ('Kehoe') and Pace Technology Co Limited (a company registered in China) (together Kehoe and Pace Technology being the 'Pace Group') for the purpose of the Company providing technology, materials and equipment to allow the Pace Group to manufacture CO detector products. The initial term of the agreement is five years with either party able to terminate the agreement by giving twelve months' notice upon and from the end of the fourth year. On 13 March 2014 a letter of agreement was entered into between SSPL and Kehoe with the principal purpose of extending the term of the agreement to a period of seven years from the date of the agreement.

The Company indemnifies the Pace Group against any property damage or personal injury caused by its employees on Pace Group's premises.

The Company indemnifies Pace Group in respect of damages, compensation or expenses in relation to claims in respect of any death, personal injury or damage to property arising out of or in connection with the equipment provided by the Company or the design of the products. This indemnity is subject to an aggregate maximum liability limit of USD10,000,000 per annum. Pace Group is required to give the Company control of any relevant claim. The Company also indemnifies Pace Group in respect of damages, compensation and expenses in relation to substantiated claims that intellectual property of the Company, or equipment it supplies to Pace Group, infringes third party intellectual property rights. This indemnity is not subject to a limit on liability, however Pace Group is required to allow the Company control of the relevant claim.

- 10.10 By a debt purchase agreement dated 6 May 2011 between HSBC Invoice Finance (UK) Limited ('HIF') and SSPL (the 'Debt Purchase Agreement'), HIF has purchased all debts existing as at the date of the Debt Purchase Agreement and future debts arising from SSPL's contracts of sale with all customers located in the British Isles and any other customers which may subsequently be agreed between HIF and SSPL. The Debt Purchase Agreement was renewed in February 2014, until 30 September 2015.

The purchase price of the debts (except non-notifiable debts in relation to which HIF shall not be obliged to make prepayment and unless, otherwise instructed by HIF, remittance of which may be retained by SSPL) will be credited by HIF into SSPL's current account. SSPL may withdraw, from its current account, up to 85 per cent. of the purchase price of each eligible debt, subject to availability and an aggregate maximum of £3,000,000 at any time. Although, at HIF's discretion and at an additional fee, SSPL may be allowed to withdraw additional sums up to the total credit balance on the current account.

SSPL is charged 0.095 per cent. of the gross amount of every debt upon notification, subject to a minimum annual charge of £21,600 plus VAT. The concentration limit (i.e. the maximum eligible debts, due from a single customer, to which the prepayment facility will apply) is 85 per cent. of all eligible debts.

Pursuant to a letter dated 11 February 2014 from HIF to the Company, SSPL may not give notice to terminate the Debt Purchase Agreement before 30 September 2015. Thereafter, it may be terminated by either of HIF or SSPL giving at least 3 months' prior written notice. HIF may also terminate by notice at any time after the occurrence of a termination event, which includes, but is not limited to: (i) material breach by SSPL of the Debt Purchase Agreement, (ii) SSPL becoming insolvent; and (iii) a change of control, ownership or constitution (direct or indirect) which HIF considers significant).

- 10.11 On 28 August 2013, the Company and SSPL entered into an agreement with HSBC in respect of collective sterling net and multi-currency overdrafts, forward exchange contracts and currency options, and engagements (including guarantees) facilities (the 'HSBC Facility Agreement'). The combined overdraft limit is £100, available to both the Company and SSPL. The forward exchange contracts and currency options limit is USD3,200,000 and this facility is only available to SSPL. The duration of the foreign exchange transaction and currency option will not exceed 12 months. All facilities under the HSBC Facility Agreement are repayable on demand. The obligations of SSPL under the HSBC Facility Agreement are secured by the Accounts Security (below). The obligations of the Company and SSPL under the HSBC Facility Agreement are guaranteed by the HSBC Guarantee (see below).
- 10.12 SSPL granted a fixed charge on non-vesting debts (which are effectively debts which purport to be assigned to HIF under the Debt Purchase Agreement, but which fail to vest in HIF) and floating charge dated 16 August 2011 in favour of HIF in respect of all or any monies and liabilities which will be due or owing in whatsoever manner to HIF from SSPL (and specifically including those debts arising under or pursuant to the Debt Purchase Agreement) (the 'Security Document'). The Security Document becomes immediately enforceable upon a 'Termination Event' (examples of such an event are set out in this paragraph 10.10 of this Part IV).
- 10.13 SSPL granted a security in favour HSBC Bank plc ('HSBC') over all accounts with HSBC (the 'Accounts Security'), in respect of all or any monies and liabilities whatever, whenever and however incurred whether now or in the future due, or becoming due, by SSPL to HSBC (including, but not limited to: overdrafts and guarantees and indemnities to HSBC from SSPL).
- 10.14 The Company and SSPL have, on a joint and several basis, granted an unlimited composite guarantee and indemnity, dated 6 May 2011, in favour of HIF in respect of all monetary and other liabilities that either or both of the Company and SSPL have to HIF whether pursuant to the Debt Purchase Agreement or otherwise (the 'HIF Guarantee'). Each of the Company and SSPL guarantee to pay HIF on demand all sums due or may become due from either or both of them and each shall indemnify HIF against all losses resulting from the insolvency of either of them or any breach of or any failure to perform any obligations under the guarantee.
- 10.15 The Company and SSPL have, on a joint and several basis, granted an unlimited composite guarantee and indemnity in favour of HSBC (the 'HSBC Guarantee') in respect of all monetary and other liabilities that either or both of the Company and SSPL have to HSBC. Each of the Company and SSPL guarantee to pay HIF on demand all sums due or that may become due from either or both of them and each shall indemnify HIF against all losses resulting from the insolvency of either of them or any breach of or any failure to perform any obligations under the guarantee.
- 10.16 On 4 October 2011, SSPL entered into an agreement with Siemens SAS, Industrial Buildings Technologies ('Siemens') in respect of goods (including Siemens branded smoke and CO alarms) and services ordered by Siemens from SSPL. The agreement continues for an initial term ending on 31 December 2012, and indefinitely thereafter until terminated by either party by giving not less than six months' written notice.

SSPL is obliged to be able to manufacture up to 120 per cent. of goods forecast by Siemens. SSPL must confirm or reject any order within four days of receipt.

If SSPL intends to discontinue any products it supplies to Siemens, SSPL must provide at least six months' notice prior to the last date such products can be ordered. If SSPL fails to comply with this, SSPL must pay a Euro 70,000 penalty to Siemens, in addition to any damages suffered by Siemens.

- 10.17 In December 2012, SSPL entered into a collaboration agreement with BAXI for the purpose of collaboration between the parties in order to develop a system of configuring CO monitors for use in boiler installation (the 'Collaboration Agreement'). The agreement terminates on the earlier of 'Project Completion' or the expiry of a twelve month period from the effective date, unless otherwise extended. BAXI and SSPL grant mutual indemnities in respect of any breach of third party intellectual property rights arising out of either party's pre-existing intellectual property (which includes 'Wi-Safe I' and 'Wi-Safe II' technology belonging to SSPL).
- 10.18 In December 2012, SSPL entered into an exclusive supply agreement with BAXI for the purpose of providing SSPL with the exclusive right to manufacture and supply CO monitoring products (the 'Products') to BAXI. Systems for configuring the Products are to be developed under the Collaboration Agreement between the parties. The agreement is subject to an exclusivity arrangement. During the seven year term of this agreement, SSPL is not permitted to supply the Products to any third party within the European Economic Area (EEA), or any third party outside of the EEA to whom SSPL knows or has reason to believe might sell the same products within the EEA. SSPL is required to provide BAXI with a non-exclusive licence to manufacture certain elements of SSPL's Products to use in BAXI's systems in the event that SSPL is unable to meet the order requirement of BAXI. The duration of such a non-exclusive licence is not specified. SSPL indemnifies BAXI against claims against BAXI in respect of: (i) third-party intellectual property infringement claims made against BAXI in connection with the Products supplied under the agreement; and (ii) third party claims against BAXI arising in connection with BAXI's supply, or failure to supply, any Products to the extent such claim arises out of the breach, negligent performance, or failure or delay in performance under this agreement by SSPL, as proven in a UK court.
- 10.19 In December 2012, SSPL and British Gas entered into a framework agreement for the supply of goods (being the British Gas and Scottish Gas CO detector markets CO-BG-01 and CO-BG-02) and services (being call centre support services, allowing customers to make contact following a detector's failing or alarm sounding), which commenced on 1 December 2012 for a period of three years until 30 November 2015, with an option to extend for two further one year periods, unless terminated earlier upon three months' written notice by either party, in order to specify the terms and conditions under which British Gas may order goods (being CO detectors) and services (being call centre support services) from SSPL.

British Gas may require SSPL to remedy or replace any non-conforming goods supplied that British Gas may deem as not conforming with agreement terms up to twelve months following delivery.

SSPL assigns to British Gas any intellectual property rights created as part of and arising from the provision of the goods and services provided under this agreement. This assignment does not include pre-existing intellectual property of SSPL which subsists in the goods or services; such intellectual property is perpetually licensed to British Gas.

SSPL grants British Gas a perpetual, non-exclusive, royalty free licence to copy and update any materials or information which form intellectual property rights of SSPL which exist at the date of the agreement and are necessary for British Gas or its group companies to receive the benefit of the goods, services or deliverables provided under the agreement. This licence covers any intellectual property rights of SSPL 'existing at the date of the Agreement', regardless of whether or not such intellectual property rights were provided to British Gas as part of the goods or services.

Any proposed change of control of SSPL must be agreed in writing between the parties. British Gas may terminate the agreement on fourteen days' written notice if there is a change of control of SSPL that has not been agreed to in advance by British Gas. British Gas may terminate the agreement upon fourteen days' written notice if British Gas has 'concerns regarding the financial standing' of SSPL.

SSPL's maximum aggregate liability for loss or damage to tangible property in any year is £10,000,000.

SSPL's maximum aggregate liability for all defaults in respect of all and any loss and damage to British Gas arising under this agreement is limited to 300 per cent. of the aggregate price paid of all orders under this agreement, or £1,000,000 (whichever is greater), however a range of forms of liability are

not subject to this cap (including breach of the data protection and confidentiality provisions of this agreement).

SSPL indemnifies British Gas and its group companies against all losses suffered in respect of any claims that any use or possession by British Gas or its group companies of the goods provided by SSPL under this agreement infringes any intellectual property rights. This indemnity is not subject to any limitation on liability, as breach of a third party's intellectual property rights is stated as not being subject to any limit on liability under this agreement.

- 10.20 On 3 February 2014, SSPL entered into a distribution agreement with Onelec for the purpose of SSPL appointing Onelec as (i) exclusive distributor of its AngelEye product line (being Sprue engineered smoke alarms and CO detectors for distribution in the French market), and (ii) non-exclusive distributor of non-exclusive products (being the BRK Brands and FireAngel products supplied by SSPL) in the territory (being France), during the term of this agreement. The commencement date is 1 January 2014. The initial term is three years and the agreement shall continue thereafter indefinitely unless terminated by either party giving not less than 12 months' prior written notice. Pursuant to the agreement, SSPL appoints Onelec as its exclusive distributor in France (or any other countries agreed in writing) of the exclusive products (BRK Brands and FireAngel branded alarm, fire safety, and other products bearing the AngelEye trade mark and 'AngelEye Pro(fessional)' name) to certain permitted customers (being commercial retailers, but excluding specific excluded customers (which include hypermarkets and supermarkets)). In the event that Onelec does not achieve 75 per cent. of its annual sales forecast in respect of any given product line, SSPL shall have the right to convert rights granted from an exclusive to a non-exclusive basis. Penalties exist for SSPL in the event of late delivery of products requested by Onelec.
- 10.21 On 14 March 2014, SSPL entered into a framework agreement with Intamac Systems Limited ('Intamac') for the purpose of establishing the terms under which Intamac will design and develop electronic systems and software for the purpose of creating new products to the order and specification of SSPL. This agreement became effective on signing and continues for an initial period of 12 months' and will thereafter continue unless either party terminates by giving no less than six months written notice. 'Statements of Work' are to be entered into between the parties which will detail the provisions of relating to each product to be developed or services to be supplied. There is no commitment on either party to enter into any Statements of Work or any minimum order requirements.
- 10.22 On 14 March 2014, SSPL entered into a supply agreement with Intamac with effect from 14 March 2014 for the purpose of Intamac supplying certain software (including software to be installed and used on home based devices supplied directly or indirectly by SSPL to the end-user) and related services (such services including software development, technical and support services) to SSPL. The agreement shall continue indefinitely, subject to either party giving 6 months' prior written notice to terminate the agreement.
- 10.23 On 31 March 2014, SSPL entered into a supply agreement with EVE (registered in China) ('EVE') for the supply of smoke alarm products from EVE. The agreement continues indefinitely unless terminated by either party having given 18 months' prior notice. Pursuant to this agreement, Eve agrees not to supply competing products to third parties during the term of the agreement, and for six months after termination of the agreement.
- 10.24 On 31 March 2014 (but with an effective date of 1 January 2014), SSPL entered into a distribution agreement with EPS (a company registered in Germany) for the purpose of appointing EPS as its exclusive distributor of FireAngel and certain other branded smoke, heat and CO detector products in Germany and Austria, and its non-exclusive distributor of these products in Switzerland. The agreement continues for an initial period of two years and after expiry of the initial 2 year period it may be terminated by either party giving 12 months' written notice.
- 10.25 SSPL has entered into various vendor purchasing arrangements with each of Tesco plc and Screwfix Direct Limited in connection with the supply of SSPL products to each of these entities. The Company has also entered into a series of vendor buying agreements with B&Q (which it has sub-contracted to SSPL).

11. INTELLECTUAL PROPERTY RIGHTS

11.1 The Group has a portfolio of 80 patents, 54 of which have been granted and the remainder of which are pending.

11.2 The Group also has 32 designs (28 of which are registered and four are pending) and 19 trademarks registered with a further five trademarks pending registration.

11.3 One of the trademarks pending registration, (an application by SSPL for a Community Trade Mark) has been opposed on the basis of an entity's prior right in a similar mark. The basis of the opposition is that the similarity of the mark and goods/services is likely to cause confusion by the consumer and the applied for mark would take unfair advantage of or be detrimental to the distinctive character or the repute of the earlier trade mark. The proceedings are currently suspended to arrive at an amicable resolution. The suspension expires on the 6 March 2015 and negotiations are underway in order to reach an amicable resolution.

11.4 The patents and registered designs of the Group are listed below:

No.	Type	Country	Application No.	Registration No.	Application Date	Status	Expiry Date
1	Patent	Australia	2011244145		20 Apr 2011	Pending	20 Apr 2031
2	Patent	Canada	2796974		20 Apr 2011	Pending	20 Apr 2031
3	Patent	Japan	2013-505529		20 Apr 2011	Pending	
4	Patent	United States of America	13/642311		20 Apr 2011	Pending	
5	Patent	Australia	2011244148		20 Apr 2011	Pending	20 Apr 2031
6	Patent	Canada	2796976		20 Apr 2011	Pending	20 Apr 2031
7	Patent	European Patent Office	11719039.7	2561496	20 Apr 2011	Granted	20 Apr 2031
8	Patent	Japan	2013-505532		20 Apr 2011	Pending	
9	Patent	United States of America	13/642389		20 Apr 2011	Pending	
10	Patent	Australia	2011244147		20 Apr 2011	Pending	20 Apr 2031
11	Patent	Canada	2796975		20 Apr 2011	Pending	20 Apr 2031
12	Patent	China	201180030767.3		20 Apr 2011	Pending	
13	Patent	Hong Kong	13110695.2		20 Apr 2011	Pending	20 Apr 2031
14	Patent	Japan	2013-505531		20 Apr 2011	Pending	
15	Patent	United States of America	13/642201		20 Apr 2011	Pending	
16	Patent	United Kingdom	1220880.7		20 Nov 2012	Pending	
17	Patent	Patent Cooperation Treaty	PCT/GB2013/053049		19 Nov 2013	Pending	
18	Patent	United Kingdom	1315698.9		4 Sep 2013	Pending	
19	Patent	United Kingdom	1315697.1		4 Sep 2013	Pending	
20	Patent	Canada	2530115		24 Jun 2003	Pending	24 Jun 2023
21	Patent	Australia	2010204223		11 Jan 2010	Pending	11 Jan 2030
22	Patent	Canada	2755560		11 Jan 2010	Pending	11 Jan 2030
23	Patent	Australia	2010209507		28 Jan 2010	Pending	28 Jan 2030
24	Patent	Canada	2751044		28 Jan 2010	Pending	28 Jan 2030
25	Patent	Canada	2645534		6 Mar 2007	Pending	6 Mar 2027
26	Patent	European Patent Office	07712831.2		6 Mar 2007	Pending	6 Mar 2027
27	Patent	United States of America	12/281673		6 Mar 2007	Pending	
28	Patent	European Patent Office	11719038.9	2561495	20 Apr 2011	Granted	20 Apr 2031
29	Patent	Australia	2003244808	2003244808	24 Jun 2003	Granted	24 Jun 2023
30	Patent	Germany	03738288.4	1516299	24 Jun 2003	Granted	24 Jun 2023
31	Patent	United Kingdom	03738288.4	1516299	24 Jun 2003	Granted	24 Jun 2023

No.	Type	Country	Application No.	Registration No.	Application Date	Status	Expiry Date
32	Patent	Ireland	03738288.4	1516299	24 Jun 2003	Granted	24 Jun 2023
33	Patent	Japan	2009-174189	4907701	24 Jun 2003	Granted	24 Jun 2023
34	Patent	Netherlands	03738288.4	1516299	24 Jun 2003	Granted	24 Jun 2023
35	Patent	Sweden	03738288.4	1516299	24 Jun 2003	Granted	24 Jun 2023
36	Patent	United States of America	10/518919	7482940	24 Jun 2003	Granted	14 Oct 2023
37	Patent	United Kingdom	02774965.4	1444756	1 Nov 2002	Granted	1 Nov 2022
38	Patent	Australia	2002255146	2002255146	7 May 2002	Granted	7 May 2022
39	Patent	Canada	2484161	2484161	7 May 2002	Granted	7 May 2022
40	Patent	Germany	02724454.0	1391021	7 May 2002	Granted	7 May 2022
41	Patent	France	02724454.0	1391021	7 May 2002	Granted	7 May 2022
42	Patent	United Kingdom	02724454.0	1391021	7 May 2002	Granted	7 May 2022
43	Patent	Ireland	02724454.0	1391021	7 May 2002	Granted	7 May 2022
44	Patent	Japan	2002-588689	4012073	7 May 2002	Granted	7 May 2022
45	Patent	United States of America	10/476963	7262581	7 May 2002	Granted	7 May 2022
46	Patent	United States of America	09/937450	7026948	27 Mar 2000	Granted	27 Mar 2020
47	Patent	Japan	2000-608346	4953509	27 Mar 2000	Granted	27 Mar 2020
48	Patent	United Kingdom	00912818.2	1163650	27 Mar 2000	Granted	27 Mar 2020
49	Patent	Ireland	00912818.2	1163650	27 Mar 2000	Granted	27 Mar 2020
50	Patent	Canada	2366630	2366630	27 Mar 2000	Granted	27 Mar 2020
51	Patent	Australia	34460/00	772120	27 Mar 2000	Granted	27 Mar 2020
52	Patent	United States of America	09/555972	6696967	07 Oct 1999	Granted	07 Oct 2019
53	Patent	Japan	2000-575095	4386585	7 Oct 1999	Granted	7 Oct 2019
54	Patent	Germany	99947771.4	1046147	7 Oct 1999	Granted	7 Oct 2019
55	Patent	France	99947771.4	1046147	7 Oct 1999	Granted	7 Oct 2019
56	Patent	United Kingdom	99947771.4	1046147	7 Oct 1999	Granted	7 Oct 2019
57	Patent	Ireland	99947771.4	1046147	7 Oct 1999	Granted	7 Oct 2019
58	Patent	Canada	2313190	2,313,190	7 Oct 1999	Granted	7 Oct 2019
59	Patent	Australia	61138/99	769492	7 Oct 1999	Granted	7 Oct 2019
60	Patent	Germany	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
61	Patent	Denmark	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
62	Patent	France	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
63	Patent	United Kingdom	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
64	Patent	Ireland	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
65	Patent	Sweden	10701032.4	2377109	11 Jan 2010	Granted	11 Jan 2030
66	Patent	United States of America	13/143816	8648730	11 Jan 2010	Granted	28 Aug 2030
67	Patent	Germany	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
68	Patent	Denmark	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
69	Patent	France	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
70	Patent	United Kingdom	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
71	Patent	Ireland	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
72	Patent	Italy	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
73	Patent	Netherlands	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
74	Patent	Sweden	10703087.6	2382608	28 Jan 2010	Granted	28 Jan 2030
75	Patent	United States of America	13/146340	8653980	28 Jan 2010	Granted	21 Sep 2030
76	Patent	Australia	2008237716	2008237716	11 Apr 2008	Granted	11 Apr 2028
77	Patent	Australia	2007222258	2007222258	6 Mar 2007	Granted	6 Mar 2027
78	Patent	Japan	2008-557819	5164865	6 Mar 2007	Granted	6 Mar 2027
79	Patent	Japan	2008-503598	4876121	3 Apr 2006	Granted	3 Apr 2026
80	Patent	United States of America	08/939669	6129825	29 Sep 1997	Granted	No earlier than 29 Sep 2017
81	Design	Australia	201410893	354381	27 Feb 2014	Registered	27 Feb 2024

<i>No.</i>	<i>Type</i>	<i>Country</i>	<i>Application No.</i>	<i>Registration No.</i>	<i>Application Date</i>	<i>Status</i>	<i>Expiry Date</i>
82	Design	Australia	201410894	354391	27 Feb 2014	Registered	27 Feb 2024
83	Design	Canada				Pending	
84	Design	Canada				Pending	
85	Design	United States of America	29/483907		4 Mar 2014	Pending	
86	Design	United States of America	29/483910		4 Mar 2014	Pending	
87	Design	Canada	139351	139351	1 Mar 2011	Registered	12 Mar 2022
88	Design	European Community	001232458-0001	001232458-0001	1 Sep 2010	Registered	1 Sep 2035
89	Design	European Community	001232458-0002	001232458-0002	1 Sep 2010	Registered	1 Sep 2035
90	Design	United States of America	29/386364	D653137	28 Feb 2011	Registered	31 Jan 2026
91	Design	Australia	14915/2010	334016	12 Nov 2010	Registered	12 Nov 2020
92	Design	Canada	137882	137882	12 Nov 2010	Registered	8 Jun 2021
93	Design	European Community	001213664-0001	001213664-0001	12 May 2010	Registered	12 May 2035
94	Design	United States of America	29/378978	D653575	12 Nov 2010	Registered	7 Feb 2026
95	Design	Australia	13803/2011	338562	29 Aug 2011	Registered	29 Aug 2021
96	Design	Canada	142022	142022	29 Aug 2011	Registered	10 Jan 2024
97	Design	European Community	001828070-0001	001828070-0001	28 Feb 2011	Registered	28 Feb 2036
98	Design	United States of America	29/400348	D671851	26 Aug 2011	Registered	4 Dec 2026
99	Design	European Community	002302489-0001	002302489-0001	4 Sep 2013	Registered	4 Sep 2038
100	Design	European Community	002302489-0002	002302489-0002	4 Sep 2013	Registered	4 Sep 2038
101	Design	United States of America	29/330571	D600583	9 Jan 2009	Registered	22 Sep 2023
102	Design	Australia	10082/2009	324499	13 Jan 2009	Registered	13 Jan 2019
103	Design	United States of America	29/330569	D608671	9 Jan 2009	Registered	26 Jan 2024
104	Design	United States of America	29/330568	D600582	9 Jan 2009	Registered	22 Sep 2023
105	Design	European Community	001069348-0001	001069348-0001	12 Jan 2009	Registered	12 Jan 2034
106	Design	European Community	001069348-0002	001069348-0002	12 Jan 2009	Registered	12 Jan 2034
107	Design	Canada	129294	129294	13 Jan 2009	Registered	21 May 2020
108	Design	Canada	132436	132436	13 Jan 2009	Registered	21 May 2020
109	Design	Australia	10081/2009	325641	13 Jan 2009	Registered	13 Jan 2019
110	Design	United Kingdom	3007290	3007290	21 Sep 2002	Registered	21 Sep 2027
111	Design	United Kingdom	3007289	3007289	21 Sep 2002	Registered	21 Sep 2027
112	Design	United Kingdom	3007288	3007288	21 Sep 2002	Registered	21 Sep 2027

12. EMPLOYEE SHARE SCHEMES

12.1 The 2014 EMI Plan

12.1.1 Outline

The 2014 EMI Plan provides for the grant of options to acquire Ordinary Shares ('Options') to all eligible UK employees of the Group. It is intended that Options will be granted as tax-favoured enterprise management incentives ('EMI Options') for the purposes of motivation and retention of employees. Options are not transferable and there is no entitlement to employer pension contributions in respect of them. The operation of the 2014 EMI Plan will

be overseen by the Remuneration Committee, and references to Board in this paragraph 12.1 shall, as appropriate, be read as referring to the Remuneration Committee.

12.1.2 **Eligibility**

Participation in the 2014 EMI Plan is open to all employees of any member of the Group, and who qualify for the grant of EMI Options in accordance with the legislation governing EMI Options from time to time. The Board has discretion as to the eligible UK employees to whom Options are to be granted.

12.1.3 **Grant of Options**

Options may be granted under the 2014 EMI Plan at any time provided that the qualifying conditions for the grant of EMI Options (as set out in the legislation governing EMI Options from time to time) are met, and subject to any dealing restrictions which would prohibit the grant of Options. Following Admission, no Option may be granted in breach of the AIM Rules. No Options may be granted after the tenth anniversary of approval of the 2014 EMI Plan by the Board.

12.1.4 **Exercise price**

The price per Ordinary Share (if any) payable on the exercise of an Option is determined by the Board when Options are granted and it is intended that such price should be equivalent to the market value of an Ordinary Share at the time of grant.

12.1.5 **Exercise and lapse of Options**

An Option shall vest on a straight-line basis pro-rata over a three year period following the grant date (the 'Vesting Period'). An Option may not normally be exercised on or before the first anniversary of the grant date but thereafter may be exercised to the extent it has vested. An Option may not in any event be exercised after the day immediately preceding the tenth anniversary of the date of grant. No Options may be exercised in breach of the AIM Rules.

If an Optionholder leaves the Group by reason of death, injury, ill health or disability, redundancy, because the business or company for which he works is sold outside the Group, or otherwise at the discretion of the Board then his Option will vest at the end of the Vesting Period in respect of a time pro-rated proportion of the Ordinary Shares subject to his Option (his 'Option Shares'). If the Board considers it appropriate, it may use its discretion to permit additional vesting by varying the application of time pro-rating to the number of Option Shares and, in addition, may allow the Option to vest on the leaving date.

If the Optionholder leaves the Group for any other reason, his Option will lapse except to the extent that the Board determines otherwise.

12.1.6 **Corporate Events**

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal reorganisation), Options shall vest early and become exercisable for a specified period in respect of a time pro-rated proportion of the Option Shares. If the Board considers it appropriate, it may use its discretion to permit additional vesting by varying the application of time pro-rating to the number of Award Shares. On an internal reorganisation, replacement options would normally be offered.

12.2 **The 2014 LTIP**

The Remuneration Committee intends, following Admission, to introduce a new discretionary share plan to incentivise directors and senior management. The 2014 LTIP will provide for the grant of rights to acquire Ordinary Shares for nil- (or nominal-) cost ('LTIP Awards') to selected employees of the Group.

LTIP Awards may be satisfied by newly issued shares or by the transfer of treasury shares (in each case subject to any applicable limits on the issue of new shares for this purpose) or by the transfer of shares purchased in the market by an employees' trust.

Individuals' participation in the 2014 LTIP would be subject to limits based on a percentage of base salary and LTIP Awards will normally be subject to the attainment of one or more objective conditions set by the Remuneration Committee at the time of grant, to be measured over a specified period.

If an Awardholder leaves the Group by reason of death, injury, ill health or disability, redundancy, because the business or company for which he works is sold outside the Group, or otherwise at the discretion of the Remuneration Committee, then his LTIP Award shall vest in respect of a time pro-rated proportion of the Ordinary Shares subject to his LTIP Award (his 'Award Shares') and subject to the extent to which the performance target has been, or is deemed by the Remuneration Committee to be, achieved. If the Remuneration Committee considers it appropriate, it may use its discretion to permit additional vesting by varying the application of time pro-rating to the number of Award Shares.

If the Awardholder leaves the Group for any other reason, his LTIP Award will lapse unless and insofar as the Remuneration Committee determines otherwise.

In the event of a takeover, scheme of arrangement or winding up of the Company (not being an internal reorganisation), LTIP Awards shall vest early in respect of a time pro-rated proportion of the Award Shares, to the extent that the Performance Target has been, or is deemed by the Remuneration Committee to be, achieved. If the Remuneration Committee considers it appropriate, it may use its discretion to permit additional vesting by varying the application of time pro-rating to the number of Award Shares. On an internal reorganisation, replacement awards would normally be offered.

12.3 Old EMI Options

Options to subscribe for Ordinary Shares have been granted under stand-alone option contracts to certain employees and executive directors. The Old EMI Options are intended to qualify as EMI Options, and all are on equivalent terms (except as to number of shares and exercise price).

The price per Ordinary Share payable on the exercise of Old EMI Options ranges from £0.18 – £0.35 and is equal to the market value of an Ordinary Share at the date of grant of the Old EMI Option.

Details of the total number of Old EMI Options outstanding as at 31 December 2013 are as follows:

<i>Date of Grant</i>	<i>No. of Ordinary Shares</i>	<i>Exercise Price</i>	<i>Expiry of Option</i>
7 May 2008	945,000	£0.1925	6 May 2015
07 May 2009	26,250	£0.18	6 May 2016
30 June 2010	200,000	£0.35	29 June 2017
	<u>1,171,250</u>		

The Company is aware that each of Graham Whitworth (in respect of 285,000 Options to be exercised at a price per share of 19.25 pence and 75,000 Options at a price per share of 35 pence) and Nick Rutter (in respect of 435,000 Options to be exercised at a price per share of 19.25 pence and 75,000 Options at a price per share of 35 pence) will exercise Options prior to Admission.

All outstanding Old EMI Options have vested in accordance with their terms over the 36 months following their date of grant and are exercisable until the specified expiry date (being the expiry of seven years from the date of grant), subject to the optionholder performing his duties to the reasonable satisfaction of the Board and neither party having given notice of termination of office or employment.

Old EMI Options are non-transferable and will lapse upon the resolution or Court order for the winding up of the Company.

13. LITIGATION

- 13.1 Save as set out below, the Group is not, nor has it at any time in the 12 months immediately preceding the date of this Document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this Document in each case which may have, or have had in the 12 months preceding the date of this Document, a significant effect on the Group's financial position or profitability.
- 13.2 The Company is aware that in 2013 certain brigades of the UK F&RS threatened legal action to recover the cost of returned alarms and the cost of returning to premises to swap out faulty products. SSPL now offers a free call out service provided by PPR who replace the alarms on behalf of the brigades.
- 13.3 In late 2013, the Company became aware of threatened litigation from a customer of a distributor, relating to warranty issues relating to certain products of SSPL. An agreement with the customer was signed in early 2014 pursuant to which SSPL agreed to reduce the selling price of a certain number of products to the customer in compensation for the costs and inconvenience incurred. Despite this threatened action, that customer has continued to order the Company's products.
- 13.4 An application by SSPL for a Community Trade Mark has been opposed on the basis of an entity's prior right in a similar mark, further details of this opposition are set out in paragraph 11.3 of this Part IV.

14. RELATED PARTY TRANSACTIONS

- 14.1 Save as set out in this Document, as far as the Directors are aware, there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this Document.
- 14.2 The Group has entered into the following transactions with related parties during the period covered by the historical financial information set out in Part IIIB of this Document. These transactions as a whole were conducted on arm's length terms (or terms which were not on arm's length terms but more favourable terms from the Company's perspective), are considered material in the context of, and are in aggregate not in excess of, the turnover of the Group in the relevant periods:
- 14.2.1 On 1 August 2008, the Company entered into an agreement with QSA Global Limited (now DTL), further details of which are set out at paragraph 10.8 of this Part IV. DTL is part of the Jarden group;
- 14.2.2 On 7 April 2010, 20 March 2014 and 7 April 2014, the Company entered into the Distribution Agreement (as amended on 20 March 2014 and as such amendment was clarified on 7 April 2014), further details of which are set out at paragraphs 10.3 to 10.5 of this Part IV. BRK Brands holds a significant proportion of the Ordinary Shares and (pursuant to an agreement entered into with Jarden on 7 April 2010, further details of which are set out in paragraph 10.6 of this Part IV) has representation on the Board. Consequently, the Directors consider that the Company is an associate of BRK Brands;
- 14.2.3 SSPL entered into an agreement with MAPA SAS (which, along with BRK Brands and DTL, is a member of the Jarden group) which came into effect on 14 December 2010 pursuant to which SSPL appointed MAPA as the exclusive distributor of specific smoke alarm and other products specified in the agreement to hypermarkets and supermarkets in France. The initial term of the agreement is stated as ending on 31 December 2016, and the agreement shall continue thereafter indefinitely unless terminated by either party giving not less than six months' prior written notice; and
- 14.2.4 On 23 April 2012, SSPL entered into an intra-group agreement with its wholly owned Canadian subsidiary, Pace Sensors, pursuant to which Pace Sensors shall develop the miniaturised Nano-905 CO sensor on behalf of SSPL. There is an intra-group loan in place between the Company and Pace Sensors for the purpose of financially supporting the ongoing development of the Nano-905 CO sensor. As at 31 December 2013, Pace Sensors

owed the Group (and ultimately the Company) £0.69 million following a number of cash injections by the Group.

14.2.5 In 2010, the Company entered into a lease (as undertenant) in respect of two Units (4&5) at the Quadrant Centre in Quedgeley, Gloucester, with BRK Brands (as immediate landlord). The underleases to the Company are for terms of approximately 8 years and expire on 5 May 2018. The headleases expire on 8 May 2018. The original rent for Unit 4 was £33,000 plus VAT per annum and for Unit 5 was £39,600 plus VAT per annum. There is a break right for both the Company and BRK Brands if the Distribution Agreement is terminated. The premises are used for warehousing.

14.2.6 In 2010, the Company entered into a lease (as undertenant) in respect of Unit 6 at Carter Court, Gloucester, with BRK Brands (as immediate landlord). The underlease to the Company is for a term of approximately 7 years and expires on 28 July 2017. The headlease expires on 31 July 2017. The rent was originally £50,760 plus VAT per annum, but this was subject to an upwards only rent review on 1 August 2012. There is a break right for both the Company and BRK Brands if the Distribution Agreement is terminated. The premises are used by the Group's accounts and operations departments.

14.3 Please also refer to the 'related party' items set out in Note 33 in Part IIIB of this Document for further details of related party transactions.

15. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing receivable by the Company, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

16. UNITED KINGDOM TAXATION FOR UK INVESTORS

16.1 Introduction

The information in this section is based on the Directors' understanding of current UK tax law and HM Revenue & Customs practice as at the date of this Document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional adviser regarding their own tax position and the consequences of making an investment in the Company.

16.2 Tax residence of the Company

The Company is considered to be resident for tax purposes in the UK. Accordingly, the information provided in this section reflects the taxation treatment appropriate to an investment in a UK tax resident company.

16.3 Taxation of dividends

The taxation of dividends paid by the Company and received by an investor resident for tax purposes in the UK is summarised below.

16.4 Individuals

A UK resident individual shareholder in receipt of dividends is treated as receiving income of an amount equal to the sum of the dividend and its associated tax credit. The tax credit currently equates to 10 per cent. of the gross dividend, being the combined amount of the dividend and the tax credit (the tax credit therefore representing one-ninth of the net dividend). The gross dividend is subject to income tax as the top slice of the individual's income and is taxed at the individual's marginal rate of income tax. The tax credit is available to set against the resulting liability (if any) to income tax. An individual liable to income tax at the basic rate will be liable to tax on the gross dividend at a rate of 10 per cent. ('the dividend ordinary rate' which is a special rate of tax set for basic rate taxpayers in receipt of dividend income). Accordingly, the tax credit will satisfy the income tax liability of such an individual.

Similarly, individuals liable at the starting rate for savers, currently set at 10 per cent., will have no further liability as a result of the available tax credit. An individual liable to income tax at the higher rate will pay tax on the gross dividend at a rate of 32.5 per cent. ('the dividend upper rate' which is a special rate of tax set for higher rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent. a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, which equates to 25 per cent. of the actual or net dividend. An individual liable to income tax at the additional rate will pay tax on the gross dividend at a rate of 37.5 per cent. ('the dividend additional rate' which is a special rate of tax set for additional rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent., an additional rate taxpayer will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.6 per cent. of the actual or net dividend.

16.5 **Trustees**

UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 37.5 per cent. ('the dividend trust rate') of the gross dividend. After giving effect to the tax credit of 10 per cent. the trustees will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.6 per cent. of the actual or net dividend.

16.6 **Companies**

Although a UK resident corporate shareholder is potentially liable to corporation tax on its dividend income, it is anticipated that the general exemption for dividends will be available to exempt from corporation tax corporate investors in receipt of dividends from the Company.

16.7 **Withholding tax and tax credit in UK**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder. Other UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit. Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own tax adviser concerning his tax position on dividends received from the Company.

16.8 **Taxation of Chargeable Gains**

A sale or other disposal of the Ordinary Shares may, subject to any available reliefs and exemptions, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

16.9 **Individuals and Trustees**

Chargeable gains realised on a disposal of Ordinary Shares by an individual or trustee resident and ordinarily resident in the UK will be subject to capital gains tax which is charged at a rate of 28 per cent. for those individuals whose total income and gains exceed the income tax basic rate limit, and at a rate of 18 per cent. where total income and gains fall below the basic rate limit. A flat rate of 28 per cent. applies for trustees and personal representatives.

An individual shareholder who disposes of Ordinary Shares while only temporarily not resident in the UK for tax purposes, may, under anti-avoidance legislation, still be liable to UK tax on his or her return to the UK. A period of non-residence of less than 5 whole tax years prior to the year in which the shareholder returns to the UK will be treated as a temporary period for these purposes.

16.10 **Companies**

UK resident corporate shareholders are subject to corporation tax on their chargeable gains. Gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the company's relevant rate. The full rate of corporation tax is currently 21 per cent., falling to 20 per cent. from 1 April 2015. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed.

A UK resident corporate shareholder with a shareholding of 10 per cent. or more of the ordinary share capital may be entitled to the substantial shareholdings exemption and, if so, the gain on any disposal of the investment may be exempt from corporation tax. Shareholders who believe they might be entitled to the substantial shareholdings exemption should consult a professional adviser

16.11 **Non residents**

Shareholders who are not resident or ordinarily resident in the UK and who are not affected by the rules relating to temporary non residence will, save in limited circumstances, not be liable to UK taxation on chargeable gains realised on the disposal of their Ordinary Shares. Such shareholders may be subject to foreign taxation on any gain realised under the local law of their country of residence and should consult their own tax adviser concerning their tax liabilities on such gains.

17. **GENERAL**

- 17.1 Total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £820,000 (excluding VAT).
- 17.2 Baker Tilly Corporate Finance LLP has given and has not withdrawn its written consent to the inclusion of its name and its report at Part IIIA of this Document in the form and context in which they appear. Baker Tilly Corporate Finance LLP of 25 Farringdon Street, London EC4A 4AB, United Kingdom is regulated by the Institute of Chartered Accountants in England and Wales.
- 17.3 Westhouse Securities has given and not withdrawn its written consent to the inclusion in this Document of the references to its name in the form and context in which they are included.
- 17.4 Baker Tilly UK Audit LLP of St Philips Point, Temple Row, Birmingham B2 5AF were auditors of the Company and Group for the periods relating to the historical financial information set out in Part IIIB of this Document. Baker Tilly UK Audit LLP is registered to carry on audit work by the Institute of Chartered Accountants of Scotland.
- 17.5 Save as disclosed in this Document, there has been no significant change in the financial or trading position of the Group since 31 December 2013, the date to which the latest audited consolidated historical financial information of the Group was published.
- 17.6 Save as disclosed in this Document, there are not, either in respect of the Company or its subsidiaries, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 17.7 Save as set out in this Document, no person (other than a professional adviser referred to in this Document or trade supplier) has:
- 17.7.1 received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
 - 17.7.2 entered into contractual arrangements (not otherwise disclosed in this Document) to receive directly or indirectly, from the Company on or after Admission any of the following:
 - (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.8 Save as disclosed in this Document, the Company has no investments in progress.
- 17.9 Save as disclosed in this Document, no public takeover bids have been made by third parties in respect of the Company's issued share capital since 31 December 2012 up to the date of this Document.

- 17.10 Save as disclosed in this Document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.
- 17.11 Save as disclosed in this Document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 17.12 The Company's accounting reference date is 31 December.
- 17.13 The financial information for the relevant accounting period set out in Part IIIB of this Document does not constitute statutory accounts of the Company within the meaning of section 434 of the 2006 Act.
- 17.14 No financial information contained in this Document is intended by the Company to represent or constitute a forecast of profits by the Company or to constitute publication of accounts by it.
- 17.15 Save as disclosed in this Document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 17.16 Save as disclosed in this Document, there are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 17.17 Insofar as the Directors are aware, the percentage of Ordinary Shares not in public hands (as that expression is defined in the AIM Rules) on Admission is expected to be approximately 39.6 per cent.
- 17.18 Save as disclosed in this Document, there are no mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.
- 17.19 Save for the information set out in Part IIIB of this Document, no other audited information is included in this Document.

18. THIRD PARTY INFORMATION

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Reference materials include various historical and recent publications. A comprehensive list of reports and information used in the preparation of the Document is available if required.

19. AVAILABILITY OF ADMISSION DOCUMENT

A copy of this Document is available free of charge from the registered office of Westhouse Securities during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this Document until at least one month after the date of Admission.

A copy of this Document is also available on the Company's website, www.sprueaegis.com.

Dated: 24 April 2014

DEFINITIONS

The following definitions apply throughout this Document unless the context requires otherwise:

'2006 Act'	the Companies Act 2006, as amended
'2014 EMI Plan'	the Sprue 2014 EMI Option Plan
'2014 LTIP'	the Sprue 2014 Long Term Incentive Plan
'Admission'	admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies
'AIM'	AIM, a market operated by the London Stock Exchange
'AIM Rules'	the rules for companies whose securities are admitted to trading on AIM, as published by the London Stock Exchange from time to time
'AIM Rules for Nominated Advisers'	the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time
'AngelEye'	AngelEye Corporation, a company incorporated and registered in Canada, the products of which are marketed under the AngelEye brand
'Articles'	the articles of association of the Company
'Audit Committee'	the audit committee of the Board consisting of William Payne (Chairman), Ashley Silverton and Peter Lawrence
'Baxi'	Baxi Heating (UK) Limited
'B&Q'	B&Q plc
'Benelux'	the nations of Belgium, Netherlands and Luxembourg
'Board' or 'Directors'	the board of directors of the Company currently comprising the persons whose names are set out on page 5 of this Document
'British Gas'	British Gas Services Limited
'Building Regulations'	the building regulations that apply across England and Wales as set out in the Building Act 1984
'BRK Brands'	BRK Brands Europe Limited
'CO'	Carbon Monoxide
'Company' or 'Sprue'	Sprue Aegis plc
'CREST'	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
'CREST Regulations'	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended

'Disclosure and Transparency Rules'	the disclosure rules and transparency rules issued by the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
'Distribution Agreement'	the agreement entered into with BRK Brands effective as of 31 March 2010, extended on 20 March 2014 and clarified on 7 April 2014, which allows the Company to distribute BRK Brands' products in Europe, further details of which are set out in paragraph 10 of Part IV of this Document
'DTL'	Detector Technologies Limited, a subsidiary of Jarden
'EI'	Ei Electronics, based in the Republic of Ireland
'Enlarged Share Capital'	the total issued share capital of the Company immediately following Admission
'EPS'	EPS Vertriebs GmbH
'EU'	the European Union
'Europe'	those existing EU member states and non-EU territories within the wider European Community, including, <i>inter alia</i> , Austria, Belgium, France and Germany
'EVE'	EVE Energy Co. Limited
'Executive Directors'	Graham Whitworth, Nicholas Rutter, John Gahan, John Walsh and Peter Brigham
'Existing Ordinary Shares'	the 40,375,373 Ordinary Shares in issue as at the date of this Document
'Extension Agreement'	the agreement between the Company and BRK to extend the Distribution Agreement, signed 20 March 2014
'FCA'	the Financial Conduct Authority
'Fire Kills'	the fire safety awareness campaign launched by the UK Department for Communities and Local Government
'FSMA'	the Financial Services and Markets Act 2000, as amended
'Firebuy'	the Framework under which UK F&RS procured fire safety and other products up until its replacement in 2013
'Group'	the Company and its subsidiaries from time to time
'HMRC'	HM Revenue & Customs
'Independent Directors'	the Directors save for Ashley Silverton and Thomas Russo
'ISDX'	the ICAP Securities and Derivatives Exchange operated by ICAP Securities and Derivatives Exchange Limited (formerly PLUS)
'Jarden'	the Jarden Corporation, the parent company of BRK Brands and DTL
'Kidde'	a subsidiary of United Technologies Corporation
'London Stock Exchange'	London Stock Exchange plc

'LPCB'	the Loss Prevention Certification Board
'Model Code'	the model code on directors' dealings in securities, as set out in the appendix to chapter 9 of the listing rules of the FCA
'New Ordinary Shares'	the 4,000,000 new Ordinary Shares to be issued by the Company and placed with Placees and the Option Exercise Shares
'OFEX'	a predecessor market to the ISDX, replaced by Plus Markets
'Official List'	the Official List of the UK Listing Authority
'Old EMI Options'	rights to acquire shares granted under the Sprue approved EMI scheme referred to at paragraph 12 of Part IV of this Document
'Onelec'	Onelec SAS
'Option Exercise Shares'	the 870,000 New Ordinary Shares to be issued to certain of the Directors upon the exercise of options, which the Company is aware will be exercised prior to Admission, further details of which are referred to in paragraph 6.1.2 of Part IV of this Document
'Options'	rights to acquire shares granted under any of the Sprue Share Plans
'Ordinary Shares'	ordinary shares of 2p each in the capital of the Company
'Pace Technology'	Pace Technology Co Limited and its associated companies, which manufacture CO detectors and other products for the Group
'Pace Sensors'	Pace Sensors Limited, a private company registered and incorporated in Canada and which designs and produces CO sensors for use in Pace Sensors branded products as well as other brands sold by the Group
'Panel'	The Panel on Takeovers and Mergers
'Placees'	subscribers for New Ordinary Shares (excluding the Option Exercise Shares) and purchasers of Sale Shares procured by Westhouse Securities on behalf of the Company and the Selling Shareholders, respectively pursuant to the Placing Agreement
'Placing'	the arrangements for the procurement of subscribers for the New Ordinary Shares (excluding the Option Exercise Shares) and the purchasers of the Sale Shares procured by Westhouse Securities (as agent for the Company and the Selling Shareholders respectively pursuant to and on the terms of the Placing Agreement)
'Placing Agreement'	the conditional agreement dated 24 April 2014 between Westhouse Securities, the Directors and the Company, further details of which are set out at paragraph 10.1 of Part IV of this Document
'Placing Price'	200p for each New Ordinary Share (excluding the Option Exercise Shares) and each Sale Share
'Placing Shares'	the New Ordinary Shares (excluding the Option Exercise Shares) and the Sale Shares
'PLUS'	the PLUS SX Market for Growth Companies, the former name of ISDX

'Prospectus Rules'	the Prospectus Rules of the FCA brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the Prospectus Regulations 2005 (SI 2005/1433)
'QCA'	Quoted Companies Alliance
'QCA Guidelines'	the principles of good governance and code of best practice applicable to small and mid-sized quoted companies, including AIM Companies, as amended from time to time
'Remuneration Committee'	the remuneration committee of the Board consisting of Peter Lawrence, William Payne (Chairman), Ashley Silverton and Graham Whitworth
'Sale Shares'	1,980,117 Ordinary Shares to be placed by Westhouse Securities on behalf of the Selling Shareholders pursuant to the Placing Agreement
'Selling Shareholders'	Graham Whitworth, Nicholas Rutter, John Gahan, William Payne and Peter Lawrence, all of whom are Directors of the Company and have a business address of Bridge House, 4 Borough High Street, London SE1 9QR, and Vivien Whitworth and Alexandra Gahan
'Shareholder(s)'	(a) person(s) who is/are registered as holder(s) of Ordinary Shares from time to time
'Sprue's Branded Products'	products sold under the AngelEye, FireAngel and Pace Sensors brands
'Sprue Share Plans'	the 2014 EMI Plan, the 2014 LTIP and the Old EMI Options
'SSPL'	Sprue Safety Products Limited
'subsidiaries'	any subsidiary as defined in the 2006 Act
'Takeover Code'	The City Code on Takeovers and Mergers
'UK' or 'United Kingdom'	United Kingdom of Great Britain and Northern Ireland
'UK F&RS'	UK Fire and Rescue Services
'USA' or 'US'	the United States of America
'USD'	US Dollar
'uncertificated' or 'in uncertificated form'	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
'Westhouse Securities'	Westhouse Securities Limited, nominated adviser and broker to the Company
'£' or 'Sterling'	UK pounds Sterling

