SPRUE AEGIS PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2013

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The Company's Registration No. is: 3991353

SPRUE AEGIS PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

Sprue designs and sells innovative smoke and carbon monoxide (“CO”) alarms and other safety related products and accessories and is one of Europe’s largest suppliers of such, selling products under its own distinct brands of FireAngel, AngelEye and Pace Sensors based on its own in-house technology. Sprue is also the exclusive European distributor of the brands of BRK Brands Europe Limited (“BRK Brands”) namely First Alert, BRK and Dicon.

The group is required to produce a Strategic Report complying with the requirements of the Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013.

An overview of the group's strategy is set out below, and together with the Chairman's Statement, CEO Statement and Financial Review which form part of this group Strategic Report.

Group strategy

Sprue's strategy consists of delivering profitable and sustainable growth by means of a focused sales approach and market-driven new product development. This strategy is underpinned by continued innovation and investment in product development.

Sprue has a leading position in the European home safety products market. Its principal products are smoke alarms and CO alarms and accessories and the group has an extensive portfolio of patented intellectual property. The introduction of new safety products legislation in Europe and increasing levels of awareness of how easy and affordable it is to protect against the dangers of smoke and CO, continue to drive sales.

The group's key strategic objective is to position itself as the market leader in each of the markets in which it operates and seek to drive long term share holder value by consistently delivering shareholder returns in excess of its cost of capital.

Extension of exclusive European distribution agreement with BRK Brands and Jarden Corporation (“Jarden”)

On 21 March 2014, Sprue announced that it had entered into a three year extension to its existing exclusive distribution agreement with 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 are as follows:

- Annual distribution fee (£4.2m payable currently) to be reduced to £3.5m, £3.0m and £2.9m 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, a Jarden company, which supplies Sprue’s branded smoke alarms and other associated accessories:

- Improved credit terms equivalent to two months’ purchases;
- Right to source products at a fixed GBP / USD exchange rate of US$1.62 : £1, removing foreign exchange rate risk on these purchases which are currently in USD; and
- Fixed product prices for two years from 1 January 2014.

The move to AIM is expected to be completed in the first half of 2014. The group is currently listed on ICAP Securities and Derivatives Market and on transfer to AIM, is expecting to complete a fund raising to provide additional cash resources to fund working capital and future product development.

Financial highlights for 2013

- Record year with turnover up 28% to £48.4m (2012: £37.8m)

- Record operating profit (pre-exceptional)* up 64% to £5.3m; reported operating profit of £4.9m (2012: operating profit £3.2m)

- Basic EPS (pre-exceptional)* up 83% to 11.87 pence per share (2012: 6.50 pence per share); reported basic EPS up 67% to 10.85 pence per share (2012: 6.50 pence per share)

- Recommended final dividend increased by 50% to 6 pence per share (2012: 4 pence)

- As expected, gross margin (before the £4.2m BRK Brands distribution fee (2012: £4.2m)) declined slightly to 37.2% (2012: 39.7%) principally due to a change in sales mix

- Benefit of operational leverage coming through in 2.4% increase in net operating margin to (pre-exceptional)* 11.1% (2012: 8.7%)

- Effective cash tax rate reduced from 17.2% to 10.3% following introduction of Patent Box

- Increased investment in product development and capex at £1.4m (2014: £1.0m)

- Balance sheet remains strong with net cash of £5.2m (2012: £6.2m) and no debt

* Exceptional bid-defence costs of £0.4m incurred in the year

Operational highlights

- Continental Europe and UK Retail both performed very strongly

- Successful inclusion on all frameworks that have replaced the Firebuy framework agreement to supply UK Fire & Rescue Services (“UK F&RS”)

- Nano-905, our miniature CO sensor now in manufacture and expected to be fitted in finished CO alarms to be sold in 2014, subject to approval from the relevant certification bodies

- CO sensor volumes at Pace Sensors have significantly increased compared to 2012

- Successful defence of hostile bid by BRK Brands at 90p per Sprue share; BRK Brands secured acceptances of just 1.26% and withdrew its offer on 24 May 2013

- North American “UL” (Underwriting Laboratories) component recognition secured on Sprue’s Gen 1 CO sensor for use in ten-year sealed for life products

- Subsequent to the year end, distribution agreements were signed with key distribution partners in Germany and France

- Subsequent to the year end, appointment of a new third party smoke alarm assembler in China to increase supply chain capacity ahead of the expected uplift in sales in the French market

- Subsequent to year end, signed extension to the 2010 BRK Brands distribution agreement to take effect from 1 April 2015 securing Sprue’s exclusive European distribution rights over the products and brands of BRK Brands on improved terms until at least 31 March 2018

Key Performance Indicators

The key financial headlines of the group are as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Turnover	48.4	37.8	33.3	29.9	14.4
Operating profit	4.9	3.2	3.5	3.1	2.0
Net assets	14.6	11.6	9.5	7.1	4.7
Net cash	5.2	6.2	5.9	4.5	1.7

The group's customer base and product offering have expanded considerably since 2009 with turnover and operating profit significantly increasing. The group's financial position has also strengthened during this period. Other KPIs used by the directors to monitor the business include a review of sales activity, margins, overhead levels and working capital requirements.

Principal risks and uncertainties

The group's operations expose it to a variety of financial risks that include the effects of changes in market prices including 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.

Price risk

The group is exposed to the risk of changes in commodity prices and movements in exchange rates between US$ and the Euro, the US$ and Sterling, the Canadian $ and Sterling and Sterling and the Euro. Changes in exchange rates and commodity prices are monitored regularly by the Board and forward foreign exchange contracts are used to try to mitigate the impact of short term fluctuations in exchange rates.

Credit risk

The group has policies that require appropriate credit checks on potential customers before sales are made and all customers have credit limits which are regularly reviewed to ensure credit risk is appropriately managed.

Liquidity risk

The group ensures it has sufficient available funds to operate the business with a reasonable level of potential cash headroom.

Interest rate risk

The business has remained debt free throughout the year.

Environmental risk

An important issue facing the group relates to mitigating the impact of its business on the environment. The group continues to find ways to reduce packaging and minimise waste and energy usage. The group continues to lead a number of initiatives to reduce its impact on the environment.

The strategic report was approved by the Board on 11 April 2014 and signed on its behalf by:

Graham RA Whitworth

Chairman And CEO

Sprue Aegis plc 11 April 2014

SPRUE AEGIS PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

Despite the distractions of the hostile BRK Brands bid in early 2013, I am delighted to report record sales, record operating profit, record basic EPS up 83%* to 11.87 pence per share and a 50% increase in the recommended final dividend of 6 pence per share. The expansion of our business in Continental Europe and the benefits of the multi-year contracts signed in 2012 are clearly evident in our results and the business is well placed for further growth.

In March 2014, I was extremely pleased to announce the extension to our exclusive right to distribute the brands and products of BRK Brands throughout Europe – on improved terms – for at least a further three years from 1 April 2015 which reinforces the positive relationship we enjoy with Jarden Corporation. This agreement consolidates Sprue's position at the forefront of the European home safety products market. The reduction in the distribution fee from £4.2m to £3.5m, £3.0m and £2.9m in each of the respective three years to 31 December 2017 more closely reflects the potential economic benefit Sprue anticipates from the sale of BRK Brands' products.

Nano-905, Sprue's miniaturised version of its Gen 1 CO sensor made at Pace Sensors in Canada is in full-scale production and is expected to be fitted in finished CO detectors for sale in 2014, subject to approval from the relevant certification bodies. The advancement of the new CO sensor over the current design demonstrates the high level of intellectual property in the business.

With further major new products to be launched in 2014 and beyond - including the ability to connect Sprue's wireless home safety products over the internet - our competitive offering is set to significantly strengthen. Our new product offering for the UK Trade sector will use adapted Thermoptek technology and will be launched this year, subject to approval from the relevant certification bodies. With a strengthened product line up, I expect our UK Trade market share to grow over time.

The BRK Brands bid for Sprue

I thank all those shareholders who supported the management team and rejected the BRK Brands bid at 90 pence per Sprue share. After taking advice, the Independent Directors (which excluded Tom Russo and Ashley Silverton) concluded that the offer price of 90p per share fundamentally undervalued the Company and therefore unanimously rejected the bid and urged shareholders to do the same.

BRK Brands and Sprue continue to co-operate on a day to day basis as supplier/distributor and Sprue remains the exclusive distributor of BRK Brands' brands in Europe.

Move to AIM

As part of the defence of the BRK Brands bid in April 2013, the Independent Directors undertook to seek shareholder support to move Sprue's listing to the AIM market of the London Stock Exchange. Having consulted with major shareholders and gained support, and as separately announced today, Sprue has served notice to transfer its listing from ISDX to AIM, which is expected to be completed before the end of April 2014.

I believe that the move to AIM will broaden the investor base and improve daily turnover and liquidity in Sprue's shares.

Shareholder relations

Subject to admission to AIM becoming effective, I am pleased to announce that Sprue is seeking to raise approximately £8.0 million by way of a placing of new ordinary shares with institutional and other investors. The placing proceeds will be used to provide additional working capital to support sales growth across Sprue's markets, particularly in France, and to fund product development.

Sprue remains well placed to deliver shareholder value and continue to grow profitably. Thank you to all our employees for their contribution to make the business successful during what has been another extremely busy year for the business.

Recommended final dividend

In line with its progressive dividend policy and taking account of the Group's future prospects and cash resources, I am pleased to recommend a final dividend of 6 pence per share (2012: 4 pence per share). The proposed cost to the Group amounts to £2.4 million and is covered 1.7x by post-tax profit (2012: 1.5x). If approved by shareholders at the AGM on 20 May 2014, the record date will be 20 June 2014 and the dividend will be paid to shareholders on 4 July 2014.

*Pre bid defence costs of £0.4m

Graham RA Whitworth

Chairman

Sprue Aegis plc 11 April 2014

SPRUE AEGIS PLC

CHIEF EXECUTIVE OFFICER'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

Sprue enjoys a leading footprint in UK Retail and has a reputation as the "supplier of choice" to the UK's Fire and Rescue Services. The Company is a major supplier to the UK's Utility and Leisure sector which includes customers such as British Gas and Scottish Gas and has a well-established but relatively low market share of the UK Trade sector. Sprue has a rapidly growing business in Continental Europe mainly selling through a network of independently owned third party distributors. Sprue's brands are well recognised in each of the major markets it competes in.

Market update

Continental Europe. Sales were up 71% on 2012, largely due to a strong performance in Germany where sales of FireAngel ST-620 (which scored joint top in Stiftung Warentest, a consumer products testing association in February 2013), FireAngel ST-630 and FireAngel WST-630 (including the Wi-Safe 2 module) where all models offer diagnostics capability with sealed for life 10 year batteries, sold well. We believe that these products are now well established in the German market.

New legislation in Germany is continuing to drive sales where for example, in Baden-Württemberg (the third largest state with 10.7m inhabitants), legislation will require a smoke alarm to be fitted in all domestic homes by December 2014. The bulk of sales in this market are through professional contractors where Sprue and its German distributor have established contacts and where the diagnostic capability of Sprue's products is proving highly appealing to German customers.

Shortly, the original ten-year products sold into Germany in 2007 are due to be replaced and the replacement cycle that we have seen in Britain will commence in Germany, which we expect to further drive sales. In addition, Berlin (population: 3.3m), Brandenburg (population: 2.5m) and Sachsen (population: 4m), are yet to enact smoke alarm legislation which is expected to provide additional growth in sales in the near future.

In France, we have introduced AngelEye as the brand of choice for the DIY channel which we believe represents over 90% of the French market by value. Sales into France are in line with our internal expectations and are expected to significantly increase as we approach the 8 March 2015 deadline to fit at least one smoke alarm in each domestic property. We estimate that France has around 25 million homes and this market offers significant growth potential for the foreseeable future. For example, trials in 50 stores with a major French customer which is a subsidiary of Kingfisher Group are now underway. This represents a new potential customer in the French market.

In 2013, sales of Sprue's branded products in Continental Europe increased 3.5 times and approximately two-thirds of sales into this sector were of Sprue's branded products. This ratio is set to increase further as Sprue introduces AngelEye and FireAngel products into the French and Benelux markets.

We continue to receive enquiries from countries in Eastern Europe and parts of Scandinavia for products which are likely to generate further incremental FireAngel branded business.

UK Retail. Performed very strongly with a 24% increase in sales compared to 2012. Sprue's branded product sales increased by 52%, mainly due to growth in sales of CO products which all contain Sprue's CO sensor. Sales to B&Q, Screwfix, Tesco and Amazon, all of whom have an online presence are progressing well. Retail sector sales have benefitted from greater awareness of the danger of smoke and CO with widely publicised safety campaigns led by the UK Government, the Chief Fire Officers Association and Gas Safety charities.

Utilities and Leisure ("U&L"). Sales into the Utilities & Leisure sector increased 55% on 2012 largely due to CO products sold to British Gas and Scottish Gas under contract. Sales to Baxi of the "noCO flues in voids CO solution", which include a control unit that will cut off the electrical supply to the boiler thereby shutting the boiler down when CO is detected, were slower than expected but still represented accretive sales in 2013. Baxi products using Sprue's technology are branded noCO (Baxi's own brand) and sales are expected to gradually gain momentum as market awareness of the product improves.

UK F&RS. As expected, following the UK Government's budget cuts, sales to the UK F&RS declined by 18% compared to 2012. In 2013, Sprue was successfully appointed on all the frameworks that replaced the Firebuy framework agreement which expired in H2 2012 and sales to Sprue's UK F&RS customers continue as before. Virtually all product sales in this sector were of Sprue's branded products.

UK Trade. Overall, while UK Trade sales decreased by 7% compared to 2012, FireAngel product sales including CO alarms, were maintained broadly at the same level. Our new range of Trade products is on track to be launched in the second half of the year and will replace much of the BRK trade range, providing enhanced functionality and significantly improved performance.

In October 2013, it became law in Scotland for all homes to be fitted with a CO alarm where a new or replacement fixed combustion appliance is installed. We expect this will drive sales and increase pressure for similar legislation in other parts of the UK.

Product development and product innovation

Nano-905. The Nano-905 sensor is expected to be included in finished CO alarms manufactured in 2014. Sprue has spent a total of approximately £1.0m over the last three years to miniaturise its existing Gen 1 CO sensor and has invested a further £0.1m in capex to introduce a second production line at its Pace Sensors facility in Canada to enable the production of the Gen 1 CO and the Nano-905 CO sensor on separate dedicated assembly lines. The original Gen 1 CO sensor will continue to be used in ten-year CO variants which are due to be introduced shortly.

Pace Sensors enjoyed a significant increase in production volumes compared to 2012.

Development of AC powered alarms for the UK Trade market. Sprue is on track to launch a new AC range of products in 2014 with a modern design which will dramatically improve Sprue's product offering in the sector.

Except for one AC powered product sold to B&Q in recent years, most of Sprue's sales have been of battery powered alarms, so this represents an important step forward for the Company, with the expansion of its Thermoptek technology into AC powered products for the first time. From a very low base, Sprue expects to gain market share gradually once its products become established. Sprue will continue to sell its battery operated CO alarms into this sector under the FireAngel brand and sales are progressing well.

Wi-safe 2 technology. Our market-leading FireAngel WST-630 Thermoptek smoke alarm incorporates our ten-year battery life Wi-safe 2 technology and allows up to 50 alarms to be meshed in a single wireless network. In addition, Sprue's low frequency sounder and vibrating pad and strobe can connect to any Wi-Safe2 enabled alarm.

UL approval on Pace Sensors Gen 1 CO sensor. Sprue has secured North American UL component recognition on its Gen 1 CO sensor to sell that component in products in North America. The Gen 1 CO sensor could be incorporated into ten-year sealed for life CO alarms. Entry into North America would significantly increase Sprue's addressable market and continues to be under review.

Launch of FireAngel ST-622. Sprue has updated its ST-620 model introducing a "Sleep Easy" function in the FireAngel ST-622 which allows the alarm to be silenced a number of times in the event of a low battery warning. This product, which is based on Sprue's Thermoptek technology, has been well received by the UK F&RS.

The "internet of things". Sprue has recently announced an agreement with Intamac Systems Limited to provide Sprue's customers with the ability to connect to and remotely monitor Sprue's Wi-Safe 2 home safety products over the internet . Revenue from this project is expected to start in H2 2014 and a trial will commence shortly.

New product development. We continue to strengthen our technical team, adding additional resources to bring greater certainty to the delivery of the product road map in 2014 and beyond. Most of Sprue's technical resources focus on new products for current markets, but Sprue will continue to fund limited investigative research on new potential products to broaden its addressable markets where the Board believes that the potential market opportunity warrants the limited investment.

Outlook

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 highly optimistic about the Group's prospects and with the separate announcement released today regarding the transfer of the Group's listing to AIM, 2014 is set to be another significant year in the progress of the Group. The Board remains confident of the outlook for 2014 and of another successful year.

Graham RA Whitworth

Group CEO

Sprue Aegis plc 11 April 2014

SPRUE AEGIS PLC

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2013

Profit and loss account

Revenue increased by 28% to £48.4m (2012: £37.8m) reflecting the increase in sales of FireAngel products into Germany, the expansion of the UK Retail business and the benefit of the new multi-year contracts secured in 2012. As anticipated, UK F&RS sales declined slightly due to budget cuts at the Brigades introduced by the UK Government.

As expected, gross margin before the annual BRK Brands' distribution fee of £4.2m declined from 39.7% in 2012 to 37.2% principally due to changes in sales mix.

Operating profit (pre-exceptional)* increased by 64% to £5.3m (reported operating profit: £4.9m) reflecting the strong operational leverage in the business. The Group's outsourced manufacturing and assembly model remains highly scalable and administrative costs (pre-exceptional)* as a percentage of sales were significantly reduced to 16.5% (2012: 18.5%).

Basic EPS (pre-exceptional)* increased 83% to 11.87 pence per ordinary share (2012: 6.50 pence per share); reported basic EPS: 10.85 pence per share (2012: 6.50 pence per share).

Group tax charge

The 2013 tax charge benefited from the introduction of "Patent Box" in April 2013 which allows the Group to effectively pay a reduced rate of corporation tax on profits generated from products which contain components / designs that relate to UK patents. Excluding the impact of deferred tax on timing differences which are expected to reverse in the short term, the effective cash tax rate in 2013 reduced compared to 2012 at 10.3% down from 17.2%. Relief under Patent Box is extended from 60% to 70% from 1 April 2014 which is expected to further reduce the effective cash tax rate for the Group and thereby improve cash flow.

Balance sheet

In October 2012, Sprue repaid the outstanding £0.5m loan note and throughout 2013, the business was debt free which accounts for the reduction in interest payable in the year compared to 2012. The balance sheet at the year end remained strong with £5.2m of cash and no debt.

Cash flow

Compared to 2012, cash declined by £1.0m to £5.2m following a net working capital increase of £3.2m, of which stock accounted for £2.3m, debtors £0.7m and a reduction in trade creditors of £0.2m. We expect cash generation to gradually improve as inventory levels normalise and the impact of improved credit terms from our CO detector supplier take effect. However further growth in sales will require additional working capital as the 2013 results have borne out.

* Exceptional bid-defence costs of £0.4m incurred in the year

John Gahan
Chief Finance Officer
Sprue Aegis plc 11 April 2014

SPRUE AEGIS PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the audited financial statements for the group for the year ended 31 December 2013.

Results and Dividends

The results for the year and financial position of the group and the company are as shown on pages 12 to 15. Profit before tax for the year excluding exceptional items was £5.3m (2012: £3.2m)

The directors recommend the payment of a final dividend of 6 pence per ordinary share (2012: 4.0 pence per share).

Corporate governance

The Board continues to give careful consideration to the principles of corporate governance as set out in the Corporate Governance code. However, it is the opinion of the directors that not all the provisions of the Corporate Governance Code are relevant or desirable for a company of Sprue Aegis plc's size. The Board meets regularly and has the ultimate responsibility for the management of the company. The Board includes four non-executive directors, W J B Payne, P J Lawrence, T Russo and A Silverton. The directors believe that this is an appropriate balance of non-executive and executive directors at this stage of the group's development.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued ordinary share capital at the beginning of the year and at the end of the year were as follows:

	31 December 2013	31 December 2012
Executive		
N A Rutter	**3,184,250**	3,184,250
G R A Whitworth	**3,666,700**	3,666,700
J F Walsh	**514,667**	667
J R Gahan	**-**	117,833
P Brigham	**276,160**	-
Non- executive		
P J Lawrence	**715,412**	815,214
A Silverton	**20,000**	20,000
T Russo	**-**	-
W J B Payne	**289,167**	189,167

On 30 December 2013, J F Walsh exercised the following share options; 375,000 awarded 16 May 2008 at an option price of 19.25p per share, 125,000 awarded 7 May 2009 at an option price of 18.00p per share and 200,000 awarded 30 June 2010 at an option price of 35.00p per share.

On 6 June 2013, P Brigham exercised the following share options; 250,000 awarded 27 June 2008 at an option price of 18.00p per share and 100,000 awarded 1 December 2009 at an option price of 25.50p per share

On the 19 June 2013 W J B Payne exercised all of his 100,000 share options awarded 16 May 2008 at an option price of 19.25p per share.

On the 6 January 2014 J R Gahan exercised all of his 300,000 share options awarded 30 June 2010 at an option price of 35.00p per share.

At the year end, the following directors had an interest in the following share options:

G R A Whitworth	285,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
N A Rutter	435,000 ordinary 2p shares, exercisable by 15th May 2015 at 19.25p per share
J R Gahan	300,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share
G R A Whitworth	75,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share
N A Rutter	75,000 ordinary 2p shares, exercisable by 29th June 2017 at 35.00p per share

No directors received shares in respect of long term incentive schemes during the year.
Qualifying third party indemnity provision for the directors and officers of the company was in force during the year.

Conflicts of interest

No Director had an interest in any contract of significance during the year. The Group has procedures in place for managing conflicts of interests. If a Director becomes aware that they, or a connected party, have an interest in an existing or proposed transaction with the Group, they should notify the Company Secretary as soon as possible and before the next meeting. Directors have a continuing obligation to update any changes to conflicts and the Board formally reviews them annually.

Directors' and Officers Liability Insurance

The Group maintains Directors' and Officers' liability insurance which is reviewed annually. The insurance covers the directors and officers of the Parent Company and its subsidiaries against the costs of defending themselves in civil proceedings taken against them in their capacity as a director or officer of a Group company and in respect of damages or civil fines or penalties resulting from the unsuccessful defence of any proceedings.

Research and development

The group continues to invest in research and development. The costs of development expenditure on specific projects have been capitalised in accordance with the accounting policy set out on page 17. General research costs undertaken in respect of the group's principal activities are charged to the profit and loss account as incurred.

Payment of creditors

It is and will continue to be the group's policy to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement, and having agreed those terms, to abide by them. Trade creditor days as at 31 December 2013 were 76 days (2012: 94 days). The transaction with BRK Brands Europe Limited involved extended credit terms on the purchase of products and on the settlement of the distribution fee.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report, Chairman's Statement and Financial Review on pages 1 to 7.

In determining whether the Group and Parent Company's financial statements can be prepared on a going concern basis, the Directors considered the Group's business activities, together with the factors likely to affect its future development, performance and position. The review also included the financial position of the Group, its cash flows, and borrowing facilities. The key factors considered by the Directors were:

- the implications of the challenging economic environment and future uncertainties on the Group revenues and profits by undertaking forecasts and projections on a regular basis;
- the impact of the competitive environment within which the Group's businesses operate;
- the potential actions that could be taken in the event that revenues are worse than expected, to ensure that operating profit and cash flows are protected

As at the date of this report, the Directors have a reasonable expectation that the Group and Parent Company have adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

Baker Tilly UK Audit LLP has indicated its willingness to continue in office and will be proposed for re-appointment.

ON BEHALF OF THE BOARD

John Gahan
Chief Finance Officer
Sprue Aegis plc

11 April 2014

SPRUE AEGIS PLC

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
d. prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Sprue Aegis plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPRUE AEGIS PLC

We have audited the group and parent company financial statements ("the financial statements") on pages 12 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/our-work/codes-standards/Audit-and-assurance/Standards-guidance/Standards-and-guidance-for-auditors/scope-of-audit/uk-Private-sector-Entity-(issued-1-December-2010).aspx

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CHARLES FRAY (Senior Statutory Auditor)
For and on behalf of Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point, Temple Row, Birmingham B2 5AF

11 April 2014

SPRUE AEGIS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2013	2012	Restated 2012
		£'000	£'000	£'000	£'000
Turnover	(2)		**48,357**		37,806
Cost of sales			**(34,512)**		(26,977)
Gross profit			**13,845**		10,829
Distribution costs			**(602)**		(613)
Research and development		**(450)**		(443)	
Other administrative expenses*		**(7,926)**		(6,553)	
Administrative expenses			**(8,376)**		(6,996)
Operating profit			**4,867**		3,220
Interest receivable and similar income			**5**		-
Interest payable and similar charges	(3)		**-**		(43)
Profit on ordinary activities before taxation	(5)		**4,872**		3,177
Tax on profit on ordinary activities	(6)		**(633)**		(814)
Profit for the year	(18)		**4,239**		2,363
Earnings per share (pence)					
Basic	(7)		**10.85**		6.50
Fully diluted	(7)		**10.20**		6.22

Continuing operations
Turnover and Operating Profit are derived from the group's continuing operations.

*Other administrative expenses include exceptional bid-defence costs of £0.4m incurred in the year.

2012 sales have been increased by £0.6m, cost of goods sold have been increased by £0.8m and other administrative expenses has reduced by £0.2m to reflect reclassifications to be on a consistent basis with 2013.

SPRUE AEGIS PLC

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£'000	£'000
Profit for the year		**4,239**	2,363
Currency translation differences on foreign currency net investments	**(19)**	**(26)**	(10)
Adjustment in respect of share-based payments	**(19)**	**15**	19
Total recognised gains for the year		**4,228**	2,372

SPRUE AEGIS PLC

CONSOLIDATED BALANCE SHEET **AS AT 31 DECEMBER 2013**

	Note	2013	Restated 2012
		£'000	£'000
Fixed assets			
Intangible fixed assets	**(9)**	**3,049**	2,266
Tangible fixed assets	**(10)**	**527**	280
		3,576	2,546
Current assets			
Stocks	**(12)**	**7,670**	5,403
Debtors	**(13)**	**10,393**	9,647
Cash at bank and in hand		**5,227**	6,226
		23,290	21,276
Creditors: amounts falling due within one year	**(14)**	**(10,860)**	(11,181)
Net current assets		**12,430**	10,095
Total assets less current liabilities		**16,006**	12,641
Provisions for liabilities	**(15)**	**(1,427)**	(1,048)
Net assets		**14,579**	11,593
Capital and reserves			
Called up share capital	**(16)**	**801**	771
Share premium account	**(17)**	**4,123**	3,822
Profit and loss account	**(18)**	**9,655**	7,000
Shareholders' funds	**(19)**	**14,579**	11,593

The financial statements on pages 12 to 33 were approved by the Board of directors and authorised for issue on 11 April 2014 and are signed on its behalf by:

G R A Whitworth

J R Gahan

The company's Registration No. is: 3991353.

SPRUE AEGIS PLC

COMPANY BALANCE SHEET — AS AT 31 DECEMBER 2013

	Note	2013	2012
		£'000	£'000
Fixed assets			
Fixed asset investments	(11)	905	517
		905	517
Current assets			
Debtors -due within one year	(13)	127	-
Debtors - due after one year	(13)	9,381	7,325
Cash at bank and in hand		195	20
		9,703	7,345
Creditors: amounts falling due within one year	(14)	-	(86)
Net current assets		9,703	7,259
Total assets less current liabilities		10,608	7,776
Net assets		10,608	7,776
Capital and reserves			
Called up share capital	(16)	801	771
Share premium account	(17)	4,123	3,822
Profit and loss account	(18)	5,684	3,183
Shareholders' funds	(19)	10,608	7,776

The financial statements on pages 12 to 33 were approved by the Board of directors and authorised for issue on 11 April 2014 and are signed on its behalf by:

G R A Whitworth

J R Gahan

The company's Registration No. is: 3991353.

SPRUE AEGIS PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£'000	£'000
Net cash inflow from operating activities	**(20a)**	**2,224**	2,394
Returns on investment and servicing of finance	**(20b)**	**5**	(43)
Taxation	**(20b)**	**(631)**	(726)
Capital expenditure and financial investment	**(20b)**	**(1,355)**	(963)
Equity dividends paid		**(1,573)**	(720)
Cash outflow before use of liquid resources and financing		**(1,330)**	(58)
Financing	**(20b)**	**331**	(72)
Decrease in cash during the year		**(999)**	(130)
Reconciliation of net cash flow to movement in net funds			
Decrease in cash during the year		**(999)**	(130)
Cash outflow from decrease in debt		**-**	500
Non cash movement in loan and unamortised issue costs		**-**	(6)
Change in net funds resulting from cash flows		**(999)**	364
Translation difference		**-**	(3)
Movement in net funds in the year		**(999)**	361
Net funds at beginning of year		**6,226**	5,865
Net funds at end of year	**(20c)**	**5,227**	6,226

The accompanying notes form an integral part of these financial statements.

1. Accounting policies

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

a) Basis of accounting

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

b) Basis of consolidation

The group financial statements consolidate the financial statements of Sprue Aegis plc and its subsidiary undertakings drawn up to 31 December 2013. The results of subsidiaries acquired are consolidated for the period from the date on which control passed. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation.

c) Research and development

Research expenditure is written off in the year 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.

d) Goodwill

Goodwill representing the excess of the consideration for an acquired undertaking, compared with the fair value of net assets acquired is capitalised and written off evenly over ten years as in the opinion of the directors this represents the period over which the goodwill is expected to give rise to economic benefits. Goodwill is reviewed for impairment at the end of each financial year and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

e) Tangible fixed assets

Tangible fixed assets are stated at original historical cost less aggregate depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost of each asset on a reducing balance basis over its estimated useful life as follows:-

Fixtures and fittings	25% per annum
Motor vehicles	25% per annum
Office equipment	33% per annum
Software capitalised	33% per annum

f) Fixed assets investments

Fixed asset investments are shown at cost less provision for permanent impairment.

g) Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price. Provision is made for obsolete, slow moving or defective items where appropriate.

1. Accounting policies (continued)

h) Share-based payments

On granting of share options, the fair value as at the date of grant is calculated using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are likely to vest, except where forfeiture is only due to market-based conditions not achieving the threshold for vesting.

i) Provisions for liabilities

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the taxable profits and the results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provisions are recognised when the group has a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provision is made for liabilities arising in respect of expected warranty claims on warranties provided in conjunction with the sale of goods.

j) Foreign currency translation

Trading transactions denominated in foreign currencies are recorded in Sterling at the average previous month end rate which in normal circumstances broadly equates to the exchange rate in that month. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates is included as an exchange difference on conversion or translation in the profit and loss account.

The accounts of foreign subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the translation of the opening net investment in subsidiaries are taken directly to reserves.

k) Financial instruments

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. Instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

l) Revenue recognition

Turnover comprises the value of sales net of rebates and settlement discounts (excluding VAT) of goods supplied in the normal course of business. Revenue is recognised when control of the goods has passed to the buyer.

1. **Accounting policies (continued)**

m) Retirement contributions

For defined contribution schemes the amount charged to the profit and loss account 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.

n) Forward exchange contracts

The group uses foreign currency contracts to reduce the exposure associated with foreign currency fluctuations. Such contracts are not stated in the accounts at fair value as the group does not prepare its accounts in accordance with fair value accounting rules. Outstanding contracts have been disclosed as commitments and any gains or losses arising on exercise of these contracts are taken directly to net profit or loss in the period the contracts are exercised.

o) Operating leases

Rentals applicable to operating leases are recognised in the profit and loss account on a straight line basis over the lease term.

p) Segmental reporting

The group has one reporting segment comprising the principal activity of the group as set out in the Strategic Report in pages 1 to 3.

q) Contract costs

Costs associated with securing supply contracts were capitalised in 2012 and 2013. These costs are being amortised over the expected life of each contract and the unamortised balance is included within other debtors.

r) Impairment

Fixed assets and contract costs capitalised within other debtors are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairment losses are recognised in the profit and loss account.

2. **Turnover**

The turnover, operating profit and net assets are wholly derived from the group's principal activity. An analysis of turnover by geographical market for the two years ended 31 December 2013 is given below:

	2013	Restated 2012
	£'000	£'000
United Kingdom and Eire	**26,466**	25,576
Continental Europe and others	**21,891**	12,230
	48,357	37,806

3. **Interest payable and similar charges**

	2013	2012
	£'000	£'000
Interest on loan notes	**-**	43
	-	43

4. Employees

Average number of people (including directors) employed by the group during the year:

	2013	2012
	Average Number	Average Number
CO Sensor manufacturing & development	**42**	21
Technology	**16**	15
Administration	**22**	19
Sales and marketing	**19**	17
Executive and non-executive directors	**8**	8
Warehousing	**5**	5
	112	85

Costs in respect of these employees:	**£'000**	£'000
Wages and salaries	**3,556**	2,642
Social security costs	**462**	366
Pension scheme costs	**89**	81
Share-based payments (share option scheme)	**15**	19
	4,122	3,108

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

	£'000	£'000
Wages and salaries	**574**	419
Social security costs	**75**	50
Pension scheme costs	**8**	1
	657	470

Directors' emoluments in respect of the directors of Sprue Aegis plc	**£'000**	£'000
Aggregate emoluments	**1,084**	669
The emoluments of the highest paid director	**252**	160

The element of the share-based payment charge relating to the highest paid director was £547 (2012: £1,147).

During the year three directors exercised a total of 1,150,000 share options at an average option price of 0.22 pence. The share-based payment charge relating to the remaining three directors was £574 (2012: £9,024).

Under the defined contribution pension scheme the pension cost charge payable by the group in respect of the directors for the year amounted to £39,567 (2012: £31,735). Contribution payments under the defined contribution pension scheme to the highest paid director amounted to £6,848 (2012: £14,946).

The number of directors accruing benefits under the defined contribution pension scheme is three (2012: 3).

5. Profit on ordinary activities before taxation

		2013	2012
Profit on ordinary activities before taxation is stated after charging / (crediting):		**£'000**	£'000
Amortisation of goodwill		**19**	19
Depreciation of tangible fixed assets		**119**	83
Loss/(Profit) on disposal of fixed assets		**1**	(11)
Current year research and development expenditure		**264**	294
Amortisation of development expenditure		**186**	149
Amounts payable to Baker Tilly LLP and its associates in respect of both audit and non-audit services are as follows:			
	- statutory audit of parent and consolidated accounts	**20**	15
	- statutory audit of associates	**43**	25
	- audit related assurance services	**4**	1
	- taxation advisory services	**3**	4
Foreign exchange loss/(gain)		**1**	(30)
Operating lease rentals	- land and buildings	**245**	249
	- other	**37**	74

6. Taxation

	2013	2012
Current tax	**£'000**	£'000
UK Corporation tax	**456**	495
Foreign tax	**88**	50
Adjustments in respect of prior years	**(81)**	108
Total current tax charge	**463**	653
Deferred tax		
Origination and reversal of timing differences	**170**	161
Total deferred tax	**170**	161
Total tax on profit on ordinary activities	**633**	814

6. Taxation (continued)

Factors affecting tax charge for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:

	2013	2012
	£'000	£'000
Profit on ordinary activities before taxation	**4,872**	3,177
Standard rate of corporation tax in the UK	**23%**	25%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	**1,121**	794
Effects of:		
Expenses not deductible for tax purposes	**101**	19
Share options exercised in year	**(294)**	(24)
Capital allowances in excess of depreciation	**(15)**	(5)
Net adjustment in respect of prior periods	**(81)**	108
Allowance for capitalised development expenditure	**(369)**	(239)
Current tax charge for year	**463**	653

7. Earnings per share

	2013	2012
	£'000	£'000
Profit attributable to shareholders being profit after taxation	**4,239**	2,363
	No.	No.
Weighted average number of shares in issue for basic calculation ('000)	**39,087**	36,367
Deemed issue of potentially dilutive shares ('000)	**2,452**	1,706
Weighted average number of shares in issue for diluted calculation ('000)	**41,539**	38,073
Earnings per share (pence)		
-basic	**10.85**	6.50
-fully diluted	**10.20**	6.22

8. Dividends

	2013	2012
	£'000	£'000
Ordinary:		
Final dividend paid: 4.0p per share in relation to 2012 (2.0p per share in relation to 2011)	**1,573**	720

The Board has approved a final dividend in respect of 2013 of 6.0 pence per share. The proposed cost to the company amounts to £2.4 million and it is covered 1.7x by post tax profit (2012: 1.5x). If approved by shareholders at the forthcoming AGM on 20 May 2014, the ex-dividend date and associated record date would be 18 June and 20 June 2014 respectively and would be paid to shareholders by 4 July 2014, being within 14 business days of the record date.

9. Intangible fixed assets

		Group	
	Goodwill	Development costs	Total
	£'000	**£'000**	**£'000**
Cost			
1 January 2013	361	3,244	3,605
Additions	-	988	988
31 December 2013	**361**	**4,232**	**4,593**
Amortisation			
1 January 2013	230	1,109	1,339
Charge for the year	19	186	205
31 December 2013	**249**	**1,295**	**1,544**
Net book value			
31 December 2013	**112**	**2,937**	**3,049**
31 December 2012	131	2,135	2,266

10. Tangible fixed assets

Group	Fixtures and fittings £'000	Office equipment £'000	Software capitalised £'000	Motor vehicles £'000	Total £'000
Cost					
1 January 2013	42	309	207	5	563
Additions	159	180	28	-	367
Disposals	-	(11)	-	-	(11)
31 December 2013	**201**	**478**	**235**	**5**	**919**
Depreciation					
1 January 2013	21	154	106	2	283
Charge for year	10	70	38	1	119
Eliminated on disposals	-	(10)	-	-	(10)
31 December 2013	**31**	**214**	**144**	**3**	**392**
Net book value					
31 December 2013	**170**	**264**	**91**	**2**	**527**
31 December 2012	21	155	101	3	280

11. Fixed asset investments

	Participating interests		
	Shares	Loans	Total
Company	£'000	£'000	£'000
Cost			
1 January 2013	149	368	517
Additions	-	388	388
31 December 2013	**149**	**756**	**905**
Impairment			
1 January 2013 and 31 December 2013	-	-	-
Net book value			
31 December 2013	**149**	**756**	**905**
31 December 2012	149	368	517

Details of the group's principal subsidiaries are set out below:

Name	Place of registration	Description	Proportion of issued shares and voting rights held
Sprue Safety Products Limited	England and Wales	110 £1 ordinary shares	100%
AngelEye Corporation	Canada	100 Can$1 ordinary shares	100%
AngelEye Incorporated	U.S.A.	100 US$1 ordinary shares	100%
Pace Sensors Limited	Canada	100 Can$1 ordinary shares	100%

Subsidiary undertakings:

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

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

12. Stocks

	Group 2013	Company 2013	Group 2012	Company 2012
	£'000	£'000	£'000	£'000
Goods for resale	7,670	-	5,403	-

13. Debtors

	Group 2013	Company 2013	Group 2012	Company 2012
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	9,695	-	9,160	-
Corporation tax	66	127	-	-
Other debtors	297	-	315	-
Prepayments and accrued income	335	-	172	-
	10,393	127	9,647	-
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	9,381	-	7,325
	-	9,381	-	7,325

14. Creditors: amounts falling due within one year

	Group 2013	Company 2013	Restated Group 2012	Company 2012
	£'000	£'000	£'000	£'000
Trade creditors	8,647	-	9,487	-
Other taxation and social security	172	-	315	-
Accruals and deferred income	2,041	-	1,277	-
Corporation tax	-	-	102	86
	10,860	-	11,181	86

As at 31 December 2012, warranty provision of £525,000 was transferred to Provisions for liabilities, see note 15.

15. Provisions for liabilities

	Deferred tax	Warranty provision	Total
Group	**£'000**	**£'000**	**£'000**
As at 1 January 2013 - as previously stated	**523**	**-**	**523**
Restatement	**-**	**525**	**525**
As at 1 January 2013 - as restated	**523**	**525**	**1,048**
Charged to profit and loss account	**170**	**1,062**	**1,232**
Utilised within the year	-	**(853)**	**(853)**
Balance at 31 December 2013	**693**	**734**	**1,427**

Provisions for liabilities in 2012 have been restated to include specific warranty provisions of £0.5m which were included within Creditors falling due within one year in 2012, to ensure comparability.

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 £734,000 (2012: 525,000) 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 of the balance sheet date.

The provision for deferred tax comprises £693,000 (2012: £523,000) in respect of accelerated capital allowances relating to capitalised development costs.

16. Called up share capital

	Company	Company
	2013	2012
	£'000	£'000
Authorised		
100,000,000 (2012: 100,000,000) Ordinary shares of 2p each	**2,000**	2,000
Allotted, called up and fully paid		
40,075,373 (2012: 38,584,173) Ordinary shares of 2p each	**801**	771

The following shares were issued on the conversion of share options during the year:

	Number	Nominal value	Consideration
	'000	**£'000**	**£'000**
Ordinary shares of 2p each	**1,491**	**30**	**331**

17. Share premium account

	Group and company 2013
	£'000
At beginning of the year	3,822
Premium on issue of shares	301
At end of year	4,123

18. Profit and loss account

	Group 2013	Company 2013
	£'000	£'000
At beginning of year	7,000	3,183
Profit for year	4,239	4,074
Currency translation differences on foreign currency net investments	(26)	-
Adjustment in respect of share-based payments	15	-
Dividend paid during the year	(1,573)	(1,573)
At end of year	9,655	5,684

The profit for the financial year dealt with in the company was £4.1m (2012: £2.3m). As allowed under Section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the company.

19. Reconciliation of movements on shareholders' funds

	Group 2013	Company 2013	Group 2012	Company 2012
	£'000	£'000	£'000	£'000
Profit for the financial year	4,239	4,074	2,363	2,339
Dividend paid during the year	(1,573)	(1,573)	(720)	(720)
	2,666	2,501	1,643	1,619
Other recognised gains and losses relating to the year	(26)	-	(10)	-
Adjustment in respect of share-based payments	15	-	19	-
New share capital subscribed	331	331	428	428
Net addition to shareholders' funds	2,986	2,832	2,080	2,047
Opening shareholders' funds	11,593	7,776	9,513	5,729
Closing shareholders' funds	14,579	10,608	11,593	7,776

20. Cash flow statement

a) Reconciliation of operating profit to operating cash flows

	Group 2013 £'000	Restated Group 2012 £'000
Operating profit	**4,867**	3,220
Amortisation of capitalised development costs and goodwill	**205**	168
Depreciation charges	**119**	83
Loss/(profit) on disposal of fixed assets	**1**	(11)
Exchange differences	**(26)**	12
Share-based payment expense	**15**	19
Movement in debtors	**(680)**	(2,620)
Movement in stock	**(2,267)**	(480)
Movement in creditors	**(219)**	2,022
Movement in provisions - excluding deferred tax	**209**	(19)
Net cash inflow from operating activities	**2,224**	2,394

b) Analysis of cash flows for headings netted in the cash flow statement

	£'000	£'000
Returns on investment and servicing of finance		
Interest received	5	-
Loan note related finance costs	-	(43)
	5	(43)
Taxation		
Tax paid	**(631)**	(726)
Capital expenditure and financial investment		
Investment in development costs	**(988)**	(893)
Purchase of tangible fixed assets	**(367)**	(101)
Proceeds from sale of fixed assets	-	31
	(1,355)	(963)
Financing		
Repayment of loan note	-	(500)
Issue of shares by parent undertaking (including share premium)	**331**	428
	331	(72)

c) Analysis of net cash

	At beginning of year £'000	Cash flows £'000	Exchange difference £'000	At end of year £'000
Cash at bank and in hand	6,226	(999)	-	**5,227**
	6,226	(999)	-	**5,227**

21. Share options and share-based payments

Details of the share options outstanding at the end of the year are as follows:

Grant date	Outstanding at start of year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Expiry date	Exercise price
Directors' share options						
27/06/2008	250,000	(250,000)	-	-	26/06/2015	18.00p
16/05/2008	1,195,000	(475,000)	-	720,000	15/05/2015	19.25p
07/05/2009	125,000	(125,000)	-	-	06/05/2016	18.00p
01/12/2009	100,000	(100,000)	-	-	06/05/2016	25.50p
30/06/2010	650,000	(200,000)	-	450,000	28/06/2017	35.00p
Employee share options						
12/07/2006	50,000	(50,000)	-	-	11/07/2013	15.00p
15/11/2007	50,000	(50,000)	-	-	14/11/2014	17.00p
07/05/2008	55,000	(55,000)	-	-	06/05/2015	18.00p
07/05/2009	107,450	(86,200)	-	21,250	05/05/2016	18.00p
30/06/2010	50,000	-	-	50,000	29/06/2017	35.00p
Other share options						
12/07/2006	10,000	-	(10,000)	-	11/07/2013	15.00p
16/05/2008	225,000	-	-	225,000	06/05/2015	19.25p
07/05/2009	5,000	-	-	5,000	06/05/2016	18.00p
30/06/2010	100,000	(100,000)	-	-	29/06/2017	35.00p
	2,972,450	(1,491,200)	(10,000)	1,471,250		

All options vest evenly over three years from the date of grant except the share options issued to John Gahan which vest over two years.

As at 31 December 2013, a total of 1,471,250 options were outstanding. The weighted average remaining contractual life of outstanding share options at the period end was 2 years and the weighted average exercise price for these share options is 20.60 pence per share.

On the 6 January 2014 J R Gahan exercised all of his 300,000 share options awarded 30 June 2010 at an option price of 35.00p per share.

During the year, 1,491,200 share options were exercised at a weighted average price of 24.40 pence per share.

Options have been valued using the following inputs to the Black-Scholes model:

Directors' share options	**2013**	2012
Average share price when options issued	**24.84p**	24.84p
Average expected volatility	**15.11%**	15.11%
Expected life	**7 years**	7 years
Risk-free rate	**2.70%**	2.13%
Expected dividends	**Zero**	Zero

Employee share options	**2013**	2012
Average share price when options issued	**19.69p**	p
Average expected volatility	**19.81%**	19.81%
Expected life	**7 years**	7 years
Risk-free rate	**2.70%**	2.13%
Expected dividends	**Zero**	Zero

The group recognised the following expenses relating to equity settled share-based payment transactions:

	2013	2012
	£'000	£'000
Employee benefits (note 4)	**15**	19

22. Guarantees and other financial commitments

a) Lease commitments

At 31 December, the group had annual minimum rentals under operating leases as follows:-

	2013		2012	
	Property	**Others**	Property	Others
	£'000	**£'000**	£'000	£'000
Operating leases which expire:-				
-within one year	**94**	**29**	92	8
-between two and five years	**123**	**3**	51	29
-over five years	**-**	**-**	73	-
	217	**32**	216	37

b) Charges over group assets

Domestic trade debtors were pledged as security to the group's bankers as part of the group's banking facilities as at 31 December 2013. The domestic trade debtor balance at the year end 2013 was £4.72m (2012: £5.18m).

c) Foreign exchange commitments

As at 31 December 2013, forward contracts to purchase US$ in 2013 amounted to US$11.9m (2012: US$5.1m). Unrealised gains on forward contracts at the year end amounted to £0.21m (2012: unrealised gains £0.02m).

23. Related party transactions

Jarden Corporation

Jarden and its subsidiaries and associates (collectively referred to as “Jarden”) are related parties to the group following Jarden’s purchase of a 29.9% interest in the ordinary share capital of Sprue Aegis plc (together with its subsidiaries, referred to as "Sprue") in 2010 and the appointment of a Jarden nominated non-executive director, Tom Russo to the Sprue Aegis plc board in September 2012.

Jarden acquired its stake in Sprue shortly after the group’s appointment as Jarden’s exclusive European distributor with Sprue taking over the trade and stock from BRK Brands UK Limited’s (“BRK”), a wholly Jarden owned UK subsidiary in exchange for a fixed distribution fee of £4.16m pa and stock at book value. At the year end, Jarden held 26.6% of Sprue (2012: 27.6%).

The distribution fee equates to the underlying operating profit BRK generated in 2009, the year before Sprue’s appointment as Jarden’s exclusive distributor in Europe. BRK provided extended credit terms on Sprue's product purchases from BRK and on the payment of the distribution fee to mitigate the working capital impact on Sprue from taking over the BRK business.

The current terms of Sprue’s appointment as BRK’s exclusive European distributor are set out in a Distribution Agreement dated 7 April 2010, details of which have previously been announced on the Plus Market (now ICAP Securities & Derivatives Exchange).

24. Related party transactions (continued)

Jarden represents the single largest supplier to the company supplying a significant proportion of the Group's purchased products and charging the group for its ongoing engineering support for its BRK, First Alert and Dicon brands. In 2013, total net purchases from Jarden amounted to £22.2m of which £4.16m relates to the distribution fee (2012: net purchases from Jarden were £18.4m including £4.16m being the distribution fee). Total net creditors relating to Jarden as at 31 December 2013 amounted to £6.1m (2012: £6.1m).

Mapa Spontex

In early 2012, the company appointed Mapa Spontex as its supplier to the hypermarket channel in France. Mapa Spontex is part of Jarden and net sales to Mapa Spontex in 2013 amounted to £0.2m (2012: £0.1m). As at 31 December 2013, the net debtor relating to Mapa Spontex amounted to £0.12m (2012: £0.09m).

Wilkins Kennedy

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

The company has taken the exemption under FRS 8 "Related party transactions", not to disclose transactions with other group undertakings where the party to the transaction is wholly owned by a member of the group.

25. Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund for the year and amounted to £89,113 (2012: £80,627). Contributions amounting to £12,305 (2012: £26,351) were payable at the year end, and are included within accruals note 14.

26. Controlling party

There is no ultimate controlling party that has significant influence in the activities of Sprue Aegis plc.

27. Post balance sheet events

Extension of exclusive European distribution agreement with BRK Brands and Jarden Corporation ("Jarden")

On 21 March 2014, Sprue announced that it had entered into a three year extension to its existing exclusive distribution agreement with 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 are as follows:

- Annual distribution fee (£4.2m payable currently) to be reduced to £3.5m, £3.0m and £2.9m 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:

- Improved credit terms equivalent to two months' purchases;
- Right to source products at a fixed GBP / USD exchange rate of US$ 1.62, removing foreign exchange rate risk on these purchases which are currently in USD; and
- Fixed product prices for two years from 1 January 2014.

Move to AIM

As part of the defence of the BRK Brands bid in April 2013, the Independent Directors undertook to seek shareholder support to move Sprue's listing to the AIM market of the London Stock Exchange. Having consulted with major shareholders and gained support, and as separately announced earlier this year, Sprue is seeking to transfer its listing from ISDX to AIM, which is expected to be completed in the first half of 2014.