SPRUE AEGIS

25 September 2017

Sprue Aegis plc
(“Sprue”, the “Company” or the “Group”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

Sprue (AIM: SPRP), one of Europe's leading developers and suppliers of home safety and connected home products, announces its unaudited interim results for the six months ended 30 June 2017.

Financial highlights

- Group revenue of £26.0m (H1 2016: £25.9m)
- Adjusted operating profit* of £1.5m (H1 2016: operating loss* £0.9m)
- Gross margin pre-BRK distribution fee up by 6.2% to 31.7% (H1 2016: 25.5%)
- Return on sales before share-based charge improved to 5.6% (H1 2016: (3.5%))
- Basic EPS improved to 2.8 pence per share (H1 2016: 1.3p loss per share)
- Strong balance sheet, no debt and cash of £10.0m (30 June 2016: cash of £14.7m)
- Total warranty costs in line with the Board’s expectations with warranty provisions as at 30 June 2017 of £3.9m (30 June 2016: £5.7m)
- Inventory reduced by 19% to £13.2m (30 June 2016: £16.3m)
- Increased investment in new product development of £1.4m (H1 2016: £1.1m)
- Declared interim dividend maintained at 2.5p per share (H1 2016: 2.5p per share)

**Adjusted operating profit is stated before share-based payments charge of £0.2m (H1 2016: £0.3m)*

Operational highlights

- Implementation of transformational manufacturing and supply agreement with Flex progressing to plan and on track
- Following receipt of notice to terminate from Newell, Sprue continues to work towards exiting both the distribution and manufacturing agreements on 31 March 2018
- New customer wins across UK Retail, Trade and EMEA

Post-period end highlights

- Partnership with SmartThings to certify the FireAngel Z-wave smoke and heat alarms as “Works With SmartThings” devices for use with the SmartThings platform
- Launch of Europe’s first domestic battery powered gas alarm

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Graham Whitworth, Executive Chairman of Sprue Aegis, commented:

"I am pleased to report the strong progress made in the first half, highlighted by our return to profitability. We are fast transforming into a lean, technology driven safety products business in the high growth potential connected home safety products market.

"Our manufacturing and supply agreement signed with Flex on 31 March 2017, combined with a continued focus on both product innovation and promotion of our FireAngel brand, will act as a catalyst to further exploit existing markets, alongside broadening our current product range and geographic reach.

"We remain hugely optimistic about the Group's growth prospects and believe that our core strategic initiatives will fundamentally transform our business over the coming years."

For further information, please contact:

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Notes to Editors
About Sprue Aegis plc

Sprue's mission is to protect, save and improve our customers' lives by making innovative, leading edge technology simple and accessible. Sprue is one of the market leaders in the European home safety products market and launched its own connected homes product proposition in December 2016.

Sprue's principal products are smoke alarms, CO alarms and accessories and its products can be connected to the internet. The Group has an extensive portfolio of patented intellectual property in Europe, the US and other selected territories. Products are sold under Sprue's leading brands of FireAngel, FireAngel Pro, SONA, AngelEye and FireAngel Connect.

For further product information, please visit: www.sprue.com

Business review

Introduction

We are pleased to report a return to profitability in the first six months of 2017, with adjusted operating profit of £1.5m (H1 2016: operating loss of £0.9m). This was achieved through a significant improvement in gross margin and a net reduction in overheads, delivered against a backdrop of flat sales.

We have seen good progress in EMEA which, as expected, has helped to offset the lower year on year sales in the UK post the implementation of the private landlord legislation which had boosted sales in 2016.

The profit generated in our core markets has enabled the Board to declare a maintained interim dividend of 2.5p per share, underpinning its confidence in the business and its prospects. Basic EPS in the six months ended 30 June 2017 was 2.8 pence per share (H1 2016: loss of 1.3 pence per share).

Despite the significant increase in debtors at 30 June 2017 compared to the position at 30 June last year, together with the ongoing cash cost of servicing the product warranty, the balance sheet remains strong with £10.0m in cash at 30 June 2017 (30 June 2016: £14.7m) and no debt.

Strategic initiatives

On 31 March 2017, following receipt of 12 months' notice from Newell Brands Inc. ("Newell") to terminate the BRK distribution and manufacturing agreements with effect from 31 March 2018, the Company announced two new strategic manufacturing agreements, which will transform the business and improve its operational scale and geographic reach. A new manufacturing and supply agreement was signed with Flex, which coupled with an agreement with a leading manufacturer in the Far East, will bring greater control and certainty to the Group's product road map and manufacturing. From 31 March 2018, Sprue will no longer have to pay the BRK distribution fee representing an annualised saving of £2.9m in cash.

These new initiatives form the core of our strategic focus, which are as follows:

- To build on Sprue's strong market presence to leverage our technology and exert greater end-to-end autonomy over the product offering, underpinned by strong IP protection and in-house product development capabilities
- To accelerate the development of the Group's technology driven, own branded products with opportunity to distribute into new territories and markets
- To leverage Flex's manufacturing footprint and expertise whilst also benefitting from significant supply chain capabilities and efficiencies
- To capitalise on the high growth potential of the "Connected Homes" market by expanding the Group's FireAngel Connect system across Europe
- Continued major investment in new product development (which amounted to £1.4m in the six months ended 30 June 2017 (H1 2016: £1.1m)) to improve the Company's connected home product offering and develop other key new products

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Connected homes and innovation

Sprue is ideally placed to capitalise on the burgeoning "Connected Homes" market, with its existing range of wireless products. Whilst sales of Sprue's connected home products are still in their infancy, we believe that the Company is well positioned to build a sizeable connected homes business over the medium to long term.

Connected home products command a price premium as they feature significant additional functionality and user benefits compared to non-connected products. Connected products can be managed via the FireAngel Connect cloud-based administration system and to interact via an app with tablets and smart phones.

To bring this capability in-house, during the period, the Group paid £0.6m in cash to purchase further source code and development rights to software produced by Intamac Systems Limited ("Intamac"). This is in addition to the connected homes software acquired by the Company from Intamac last year. This additional software will support a 'B2C' product to be launched early next year leveraging our successful deployment of similar 'B2B' products, sales of which have already commenced.

Partnering with SmartThings

Sprue has recently entered into a partnership with SmartThings to certify the FireAngel Z-wave smoke and heat alarms as "Works With SmartThings" devices for use with the SmartThings platform. This exciting partnership is testament to the strength and trust in our brand and products and will extend the reach and connected products footprint under the FireAngel umbrella. Further details on SmartThings can be found at: www.smartthings.com/uk.

Products and brands

Earlier this month, after the period end, Sprue announced the launch of the Europe's first domestic battery powered gas alarm, "Natural Gas Detector" under its FireAngel brand which expanded the Group's product range beyond smoke, heat and CO alarms and accessories. The development of this gas alarm is further evidence of our ability to leverage our technology and significantly increases our addressable market to more than 300 million households in mainland Europe and over 25 million in the UK alone.

In addition, we have updated our innovative product road map to 2020 and beyond which extends the capabilities of our core technology and has the potential to create incremental new market opportunities and strengthen our product offering.

By refreshing our existing portfolio around the FireAngel brand over the next 12 to 18 months, we will seek to further consolidate our product range and our brands, significantly reducing the level of stock. Based on customer feedback, it is clear that the FireAngel brand resonates well and, as a result, will become the central focus of our sales and marketing efforts.

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Customers and markets

Our sales teams have had a busy six months, securing multiple contract wins with major new customers, including:

- OBI and Bauhaus - leading German retailers, marking Sprue's entry into the German retail market
- Moyne Roberts (Ireland) - strengthening Sprue's position in Trade
- Devon and Somerset Fire & Rescue Services
- Bunnings UK and Bunnings New Zealand – enhancing Sprue's leading position in UK Retail and extending our reach in New Zealand

The Board is focused on Sprue becoming *the* leading provider and developer of home safety technology in Europe, as evidenced by the launch of the gas alarm in a wider geographic spread.

The 2020 plan

The 2020 plan sets out Sprue's target to be the market leader in Home Safety solutions combining, connecting and complementing our unique technology, products and services through our trusted brands. We aim to:

- Improve our existing business whilst at the same time creating an organisation that invents new safety solutions so creating new opportunities
- Innovate, differentiate and grow share within current markets through valued added technology and services combined with outstanding levels of customer service and satisfaction
- Generate incremental growth by creating new markets leveraging Flex's manufacturing footprint and "sketch to scale" expertise
- Leverage Sprue's culture and the talent of our people

Outlook

Following receipt of the notice of cancellation of the BRK distribution agreement, representing an annualised saving of £2.9m in cash from 31 March 2018, and the cancellation of the manufacturing agreement with DTL, which we have replaced with two new manufacturing and supply agreements, we continue to make substantial progress towards our strategic objective of becoming an independent technology business with outsourced manufacturing. We believe 2017 and 2018 will be pivotal for Sprue as we seek to integrate and capitalise on our manufacturing agreement with Flex.

Our product roadmap out to 2020 provides Sprue with a clear direction to expand our range and increase sales. Whilst continuing to enhance our core technology and connected products offering, we remain committed to leveraging the full commercial value of our FireAngel brand through the launch of additional complementary product sets.

During H2 2017, the Board expects a stronger UK sales bias, with full year results expected to be in line with market expectations.

The Board considers that the Group's prospects remain strong.

Graham Whitworth
Executive Chairman

Neil Smith
Group Chief Executive

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Financial report

Summary

Revenue in H1 2017 increased slightly to £26.0m (H1 2016: £25.9m) with strong sales in EMEA, offset by the expected lower demand within the UK as the increase in demand from the private landlord legislation was satisfied last year. Pace Sensor sales were affected by a reduced CO sensor requirement due to lower CO sales year on year.

Gross margin in the period before the BRK distribution fee improved by 6.2% to 31.7% (H1 2016: 25.5%) principally due to a £0.3m reduction in stock provisions in respect of BRK stock, proactive gross margin management and a reduction in rework costs compared to H1 2016.

Movements in foreign exchange rates of each of the US Dollar and the Euro against Sterling in the first half did not have a significant impact on the Group's results. Higher product costs due to Sterling's weakness against the US Dollar* were broadly offset by the benefit of Sterling's weakness against the Euro**. The Group booked a net £0.3m loss from the mark to market of forward contracts (H1 2016: £0.4m loss).

Excluding share-based payments charge, fixed costs reduced to £5.4m (H1 2016: £6.0m), principally due to lower staff costs which helped contribute to a much improved adjusted operating profit of £1.5m (H1 2016: adjusted operating loss of £0.9m).

Basic EPS was a profit of 2.8 pence per share (H1 2016: loss per share of (1.3) pence per share).

**Sterling decreased in value against the US Dollar by circa 12% with an average H1 2017 exchange rate of 1.26 (H1 2016: 1.43)*

***Sterling decreased in value against the Euro by circa 9% with an average H1 2017 exchange rate of 1.16 (H1 2016: 1.28)*

Revenue by business unit

The table below summarises the revenue for each business unit and Pace Sensors.

Revenue	**H1 2017 Revenue £m**	H1 2016 Revenue £m	Change £m
Business Units:			
EMEA	**11.8**	8.0	3.8
UK Retail	**6.3**	7.5	(1.2)
UK Trade	**3.1**	4.0	(0.9)
UK Fire & Rescue Services	**2.4**	2.8	(0.4)
UK Utilities	**0.9**	1.3	(0.4)
Pace Sensors Limited	**1.5**	2.3	(0.8)
Total revenue	**26.0**	25.9	0.1

Strong sales performances in Germany and Benelux helped drive the overall EMEA growth. Sprue is the market leader in Benelux which, as a market without new smoke and CO legislation, continues to show a high level of customer awareness about the dangers of smoke and carbon monoxide ('CO').

Good progress was made in EMEA which, as expected, helped to offset the lower year on year sales in the UK post the implementation of the private landlord legislation which boosted 2016 sales.

Balance sheet

Intangible assets - capitalised product development costs
The net book value of capitalised product development costs as at 30 June 2017 was £11.0m (30 June 2016: £7.3m). An analysis of the intangibles by major category together with detailed commentary thereon is set out at note 6 below.

Specific people and non-people costs which meet the relevant criteria are capitalised and amortised against future profits from the sale of products which incorporate the intangible assets. Product development costs are typically amortised over a 7 to 15 year period and are regularly reviewed for any signs of impairment.

As part of the impairment review, the net book value of each intangible asset is compared with the expected gross profit from the sales over the next 24 months of products which incorporate that technology. This allows an assessment of the carrying value of each intangible asset relative to the expected gross profit each asset is forecast to generate. Except for the connected home intangible asset (where sales have just commenced and are expected to increase over time as acceptance of the technology increases), gross profit generated from the expected sale of relevant products over the next two years is typically greater than the carrying value of the intangible asset on the balance sheet.

The key judgement in relation to connected homes and whether the intangible asset is impaired relates to the take up rate of connected homes technology and the level of profit that the Group could reasonably expect from the sale of connected home products. The Board expects sales of connected home product will increase as acceptance and use of the technology becomes more widespread.

Deferred tax
Deferred tax assets as at 30 June 2017 of £0.9m (30 June 2016: £0.7m) relate primarily to unrelieved taxable losses carried forward. With £2.3m of brought forward trading losses, the Group does not expect to pay any UK corporation tax this financial year.

Deferred tax liabilities as at 30 June 2017 of £1.7m (30 June 2016: £1.5m) relate primarily to product development costs where the Company has claimed accelerated R&D tax credits. The Group's tax treatment of intangibles is mirrored in its tax computations submitted to HMRC.

Stock
Following receipt of 12 months' notice from Newell to terminate the 2010 BRK distribution agreement as announced on 31 March 2017, any remaining stock of BRK products held by Sprue as at 31 March 2018 will be repurchased by BRK at the price Sprue paid for the goods. It is

expected that this will result in a cash payment to Sprue of at least £3.0m assuming that in the meantime,

Sprue has not sold the remaining BRK stock. As at 30 June 2017, the gross book value of BRK stock held by Sprue amounted to £4.8m (as at 30 June 2016: £7.7m).

Warranty provisions

Total warranty provisions as at 30 June 2017 amounted to £3.9m (30 June 2016: £5.7m; as at 31 December 2016: £4.6m) of which £2.4m is included within current liabilities to cover warranty costs expected to be incurred over the next twelve months. The overall rate of free of charge replacements being issued due to known warranty issues is in line with management's expectations. The vast majority of warranty costs incurred by the Group relate to the battery impedance issue previously identified in April 2016.

Cash flow

Net cash flow from operations was negative at £2.3m (H1 2016: negative £6.1m) principally due to an increase in trade and other receivables which were £3.7m higher than at 30 June 2016 due to the adjustment of credit terms for certain customers, a stronger month of trading in June 2017, together with the ongoing cash cost of servicing free of charge replacements which utilised £0.7m of the warranty provision in H1 2017 as referred to above. Reductions in stock were broadly offset by lower trade creditors as the Group sought to reduce stock.

In total, H1 2017 net cash flow declined by £4.3m (H1 2016: decline of £7.7m). However, the balance sheet remained robust with net cash at 30 June 2017 of £10.0m (30 June 2016: £14.7m) and no debt.

During the period, the Group purchased further software modules from Intamac for £0.6m in cash and paid tax in Canada of £0.2m.

Dividend

The Board is pleased to declare a maintained interim dividend of 2.5p per share (H1 2016: 2.5p per share) payable on 27 October 2017 to shareholders on the register on 13 October 2017. The Board confirms that the Company will continue to pursue a progressive dividend policy.

Signed on behalf of the Board

Neil Smith
Group Chief Executive

John Gahan
Group Finance Director

CONDENSED STATEMENT OF CONSOLIDATED INCOME
PERIOD ENDED 30 JUNE 2017

	Notes	**(Unaudited) Period ended 30 June 2017 £000**	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Revenue	3	**26,026**	25,939	57,106
Cost of sales excluding BRK distribution fee		**(17,768)**	(19,316)	(40,789)
BRK distribution fee		**(1,415)**	(1,483)	(2,982)
Total cost of sales		**(19,183)**	(20,799)	(43,771)
Gross profit		**6,843**	5,140	13,335
Distribution costs		**(469)**	(553)	(1,083)
Administrative expenses excluding share-based payments charge		**(4,916)**	(5,489)	(10,182)
Share-based payments charge		**(179)**	(282)	(563)
Total administrative expenses		**(5,095)**	(5,771)	(10,745)
Total fixed costs		**(5,564)**	*(6,324)	(11,828)
Profit / (loss) from operations pre share-based payments charge		**1,458**	(902)	2,236
% of sales		**5.6%**	(3.5%)	3.9%
Profit / (loss) from operations		**1,279**	(1,184)	1,507
Finance income		**18**	49	66
Profit / (loss) before tax		**1,297**	(1,135)	1,573
Income tax (charge) / credit	4	**(26)**	556	246
Profit / (loss) attributable to equity owners of the parent		**1,271**	(579)	1,819
Earnings per share (pence)	5			
From continuing operations:				
Basic		**2.8**	(1.3)	4.0
Diluted		**2.8**	(1.3)	4.0

**Total fixed costs in H1 2016 include a £0.2m restructuring charge within Administrative expenses (H1 2017: £nil)*

Continuing operations
None of the Group's activities are treated as acquired or discontinued during the above periods.

CONDENSED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	(Unaudited) Period ended 30 June 2017 £000	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Profit / (loss) for the period	**1,271**	(579)	1,819
Items that may be reclassified subsequently to profit and loss:			
Net exchange (loss) / gain on translation of foreign operations (net of tax)	**(80)**	153	393
Other comprehensive (loss) / income for the period	**(80)**	153	393
Total comprehensive income / (loss) for the period	**1,191**	(426)	2,212

CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	NOTES	(Unaudited) 30 June 2017 £000	(Unaudited) 30 June 2016 £000	(Audited) 31 December 2016 £000
Non-current assets				
Goodwill		**169**	169	169
Computer software		**110**	74	60
Product development costs	6	**11,000**	7,190	9,860
Plant and equipment		**914**	990	916
Deferred tax assets		**855**	694	625
		13,048	9,117	11,630
Current assets				
Inventories	7	**13,167**	16,307	13,316
Trade and other receivables	8	**14,365**	10,691	13,451
Current tax assets		**527**	756	287
Derivative financial assets	14	**-**	-	1
Cash and cash equivalents		**10,044**	14,664	14,333
		38, 103	42,418	41,388
Total assets		**51,151**	51,535	53,018
Current liabilities				
Trade and other payables	9	**(13,705)**	(13,097)	(16,741)
Proposed dividends		**(1,376)**	(2,522)	-
Current tax liabilities		**-**	-	(43)
Warranty provisions	10	**(2,400)**	(2,197)	(2,800)
Derivative financial liabilities	14	**(388)**	(495)	(88)
		(17,869)	(18,311)	(19,672)
Net current assets		**20,234**	24,107	21,716
Non-current liabilities				
Warranty provisions	10	**(1,455)**	(3,493)	(1,793)
Deferred tax liabilities		**(1,705)**	(1,512)	(1,569)
Total non-current liabilities		**(3,160)**	(5,005)	(3,362)
Total liabilities		**(21,029)**	(23,316)	(23,034)
Net assets		**30,122**	28,219	29,984
Equity				
Share capital	11	**917**	917	917
Share premium		**12,713**	12,713	12,713
Foreign exchange reserve		**184**	24	264
Retained earnings		**16,308**	14,565	16,090
Total equity attributable to the owners of the parent		**30, 122**	28,219	29,984

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CONDENSED STATEMENT OF CONSOLIDATED CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	Share capital £000	Share premium £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2016	917	12,713	(129)	17,596	31,097
Loss for the six months	-	-	-	(579)	(579)
Foreign exchange gains and (losses) from overseas subsidiaries	-	-	153	-	153
Total comprehensive income for the six months	-	-	153	(579)	(426)
Transactions with owners in their capacity as owners:-					
Dividends	-	-	-	(2,522)	(2,522)
Total transactions with owners in their capacity as owners	-	-	-	(2,522)	(2,522)
Share-based payment charge	-	-	-	282	282
Deferred tax charge on share-based payment	-	-	-	(212)	(212)
Balance at 30 June 2016	**917**	**12,713**	**24**	**14,565**	**28,219**
Balance at 1 January 2017	917	12,713	264	16,090	29,984
Profit for the six months	-	-	-	1,271	1,271
Foreign exchange (losses) from overseas subsidiaries	-	-	(80)	-	(80)
Total comprehensive income for the six months	-	-	(80)	1,271	1,191
Transactions with owners in their capacity as owners:-					
Dividends	-	-	-	(1,376)	(1,376)
Total transactions with owners in their capacity as owners	-	-	-	(1,376)	(1,376)
Share-based payment charge	-	-	-	179	179
Deferred tax credit on share-based payment	-	-	-	144	144
Balance at 30 June 2017	**917**	**12,713**	**184**	**16,308**	**30,122**

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CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	(Unaudited) Period ended 30 June 2017 £000	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Profit / (loss) before tax	**1,297**	(1,135)	1,573
Finance income	**(18)**	(49)	(66)
Operating profit / (loss) for the period	**1,279**	(1,184)	1,507
Adjustments for:			
Depreciation of property, plant and equipment	**145**	141	281
Amortisation of intangible assets	**299**	243	332
Reduction / (increase) in fair value of derivatives	**302**	398	(10)
Share-based payments charge	**179**	282	563
Operating cash flow before movements in working capital	**2,204**	(120)	2,673
Movement in inventories	**146**	(750)	2,241
Movement in receivables	**(915)**	1,026	(1,734)
Movement in warranty provision	**(738)**	(1,103)	(2,200)
Movement in payables	**(3,037)**	(5,104)	(1,460)
Cash (expensed) by operations	**(2,340)**	(6,051)	(480)
Income taxes paid	**(152)**	(384)	(56)
Net cash used from operating activities	**(2,492)**	(6,435)	(536)
Investing activities			
Purchase of intangible assets	**(887)**	(1,086)	(2,207)
Purchase of software costs	**(602)**	(25)	(1,649)
Purchase of property, plant and equipment	**(143)**	(391)	(497)
Interest received	**18**	49	66
Net cash used on investing activities	**(1,614)**	(1,453)	(4,287)
Financing activities			
Dividends paid	**-**	-	(3,668)
Net cash used on financing activities	**-**	-	(3,668)
Net (decrease) in cash and cash equivalents	**(4,106)**	(7,888)	(8,491)
Cash and cash equivalents at beginning of period	**14,333**	22,403	22,403
Non-cash movements	**(183)**	149	421
Cash and cash equivalents at end of the period	**10,044**	14,664	14,333

Notes to the financial information

1. General information

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors and have been delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed, not audited.

2. Accounting policies

Basis of preparation

The annual financial statements of Sprue Aegis plc are prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2016.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2016 financial statements, including exposure to foreign exchange rate fluctuation, in particular the exchange rate of Sterling relative to the US Dollar and the Euro. Risk is an inherent part of doing business and with the cash position of the Group, together with the expected underlying profitability of the core business in the full year, this leads the Directors to believe that the Group is well placed to manage the key risks it faces.

Going concern

The Group's forecasts and projections, taking account of reasonably predictable changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. Accordingly, the going concern basis has been adopted in preparing the financial information.

New standards, amendments and interpretations

There are no new standards which have been endorsed by the EU which are effective for the first time during the financial period commencing 1 January 2017 which are relevant to the Group.

Accounting standards in issue but not yet effective:

At the date of authorisation of these financial statements the following standards and interpretations, which have not been applied in these financial statements and which are considered potentially relevant, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from contracts with customers
- IFRS 16: Leases
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Un-realised Losses
- Amendments to IAS 7: Disclosure Initiative
- Clarifications to IFRS 15: Revenue from Contracts with Customers
- Amendments to IFRS 2: Classification and measurement of share-based payment transactions
- Annual Improvements to IFRS 2014–2016 Cycle

- IFRIC 22: Foreign Currency Transactions and Advance Consideration
- IFRIC 23: Uncertainty Over Income Tax Treatments

The Directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements of the Group or the Company when the relevant standards and interpretations come into effect.

3. Operating segments

Sprue sells and distributes home safety products and accessories in the UK, Continental Europe and certain other countries and undertakes manufacturing activities in Canada. Its major customers are based throughout the UK and Continental Europe. Financial information is reported to the Board on a consolidated basis with revenue and operating profit stated for the Group as a whole.

The Board considers that there are no identifiable business segments that are engaged in providing individual products or services or a group of related products and services that are subject to risks and returns that are different to the core business.

Segmental revenues for each of the Group's business units, comprising gross and net sales to external customers and movement in gross profit from previous forecasts is the main financial information reported to the Board at business unit level. Business unit reporting to the Board typically excludes information on overheads which is reported on an aggregated basis.

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

Business units earn revenue from the sale of smoke and carbon monoxide detectors and accessories to end customers. Pace Sensors Limited earns revenue from the manufacture and sale of carbon monoxide sensors to a third party carbon monoxide detector assembler based in China.

For H1 2017, revenues of approximately £7.4m (H1 2016: £7.8m) were derived from one external customer (H1 2016: two external customers), which individually contributed over 10% of the revenue of the Group. This revenues is attributable to the European business unit (H1 2016: revenue is attributable to both Retail and European business units).

A geographical analysis of the Group's revenue is as follows:

	(Unaudited) Period ended 30 June 2017 £000	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Continuing operations:			
United Kingdom	**12,685**	15,589	30,080
Continental Europe and Rest of World	**13,341**	10,350	27,026
	26,026	25,939	57,106

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

	(Unaudited) 30 June 2017 £000	(Unaudited) 30 June 2016 £000	(Audited) 31 December 2016 £000
Continuing operations:			
UK	**11,963**	8,129	10,720
Canada	**230**	294	285
Non-current assets	**12,193**	8,423	11,005

4. Income tax

The major components of income tax charge / (credit) in the Income Statement are as follows:

	(Unaudited) Period Ended 30 June 2017 £000	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Current tax			
UK corporation tax (credit)	**(154)**	(217)	(99)
UK – Adjustments in respect of prior periods (credit)	**-**	-	(46)
Foreign tax charge	**130**	152	267
	(24)	(65)	122
Deferred tax			
Origination and reversal of temporary differences	**50**	(491)	(368)
Income tax expense / (credit)	**26**	(556)	(246)

Domestic income tax is calculated at 19.5% (H1 2016: 20.0%) of the estimated assessable profit for the year.

The tax credit for H1 2017 is primarily attributed to claiming small company's enhanced R&D tax relief at the elevated 230% rate (H1 2016: 230%).

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017, and to 17% from 1 April 2020, has been enacted. The deferred tax balances have therefore been calculated at 17%.

5. Earnings per share

Further details on the earnings per share per the Income Statement are set out in the note below:

	(Unaudited) Period Ended 30 June 2017	(Unaudited) Period Ended 30 June 2016	(Audited) Year Ended 31 December 2016
Earnings from continuing operations	**£'000**	£'000	£'000
Earnings for the purposes of basic earnings per share (profit for the year attributable to owners of the parent)	**1,271**	(579)	1,819
Number of shares	**'000**	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**45,855**	45,855	45,855
Effect of dilutive potential ordinary shares:			
Deemed issue of potentially dilutive shares	**71**	80	71
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**45,926**	45,935	45,926

	2017	2016	2016
	pence	pence	pence
Basic earnings per share	**2.8**	(1.3)	4.0
Diluted earnings per share	**2.8**	(1.3)	4.0

Basic EPS is calculated by dividing the earnings attributable to ordinary owners of the parent by the weighted average number of shares outstanding during the period.

Diluted EPS is calculated on the same basis as Basic EPS but with a further adjustment to the number of weighted average shares in issue to reflect the effect of all potentially dilutive share options. The number of potentially dilutive share options is derived from the number of share options and awards granted to employees and directors where the exercise price is less than the average market price of the Company's ordinary shares during the period.

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6. Product development costs

A summary of product development costs with a net book value of £11.0m as at 30 June 2017, is shown below.

	Connected Home	Wi-safe 2	Nano	Mains Powered	Smoke Sensing products	Future Products	CO Sensing Products	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost								
At 1 January 2017	2,842	1,738	1,403	1,500	1,515	2,399	524	11,921
Total Additions	813	2	76	131	156	230	19	1,427
At 30th June 2017	**3,655**	**1,740**	**1,479**	**1,631**	**1,671**	**2,629**	**543**	**13,348**
Amortisation								
At 1 January 2017	2	259	19	73	352	1,293	66	2,064
Charge (6 Months)	7	53	40	49	105	-	30	284
At 30th June 2017	**9**	**312**	**59**	**122**	**457**	**1,293**	**96**	**2,348**
Carrying Amount								
At 1 January 2017	2,840	1,479	1,384	1,427	1,163	1,106	458	9,857
At 30th June 2017	**3,646**	**1,428**	**1,420**	**1,509**	**1,214**	**1,336**	**447**	**11,000**
% of total	*33%*	*13%*	*13%*	*14%*	*11%*	*12%*	*4%*	*100%*

Intangible assets described as “Other” with a net book value (“NBV”) of £1.3m as at 31 December 2016 have been reclassified into the appropriate categories in the first half of the year to group similar technology and products together. The average remaining useful economic life of each intangible asset is typically in the range of 7 to 15 years.

Additions relate to new products and / or technology under development which will be amortised over their expected useful economic lives once sales of the products incorporating the intangible asset commence.

The following is a high level summary of the products / technology in the table above:

Connected Home Solutions (“CHS”)

CHS allows Sprue to connect and monitor a range of its products through its interface gateway technology to the internet. Sprue has developed an app for users which works on any Android or iOS device. Having acquired the development rights to the Intamac software in H2 2016, Sprue has expanded the skills and capabilities of its Technical team to accelerate product development. The net book value of CHS intangibles as at 30 June 2017 amounted to £3.6m which includes the following net book values:

- Intamac technology £3.2m
- Z-wave module (wireless language technology) £0.3m
- Innohome (cooker shut off products) £0.1m

Wi-safe 2
Wi-safe 2 (including products using Wi-safe 2 capabilities) are an enhancement and development on the Group's Wi-safe I technology with a combined NBV of £1.4m as at 30 June 2017. Wi-safe 2 is a core piece of technology which underpins a number of key products and accessories, especially in Connected Homes.

Nano
Nano is the miniaturised CO sensor developed by Pace Sensors, Sprue's wholly owned subsidiary in Canada. Nano's net book value of £1.4m as at 30 June 2017 represents the costs incurred in the development of the CO sensor and the final development of finished CO products that incorporate the sensor.

Mains powered products
In December 2014, Sprue launched a fully certified range of mains powered products and accessories for the UK Trade sector which includes heat alarms, smoke alarms, CO alarms and a remote test and reset product.

Sprue's technology provides an advantage over competitor products with its market leading low power consumption, which is particularly important for new housing projects which require a "sustainability" assessment. The net book value of mains powered product intangibles amounted to £1.5m as at 30 June 2017.

Smoke sensing products
The net book value of smoke sensing product intangibles as at 30 June 2017 amounted to £1.2m which includes all of Sprue's own smoke products under development.

Future products
Future products which consist of the next generation of smoke and CO alarms with a net book value of £1.3m as at 30 June 2017 are still under development and as such, are not finished so there is no amortisation charge in respect of these intangible assets. These are major projects which are expected to come to market over the next few years.

CO sensing products
The net book value of CO sensing product intangibles as at 30 June 2017 was £0.4m which includes Sprue's 10 year life CO alarm, the British Gas developed CO alarm and CO sensing products currently under development. The CO market is growing through marketing activities and increased awareness of the dangers of carbon monoxide.

Impairment review
During H1 2017, the Group did not record any material impairment charges upon review of its product development cost intangible assets.

If any such impairment is identified, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Products completed and available for sale
As part of the Group's impairment review, the Group prepares a schedule that compares the net book value of each intangible asset with the expected gross profit from that technology in the next 24 months. The purpose of this review is to ensure that the value of the intangible asset is likely to be "recovered" within the next few years. Except for connected homes product sales, the expected gross profit within the next 24 months is significantly greater than the current net book value of the individual intangible asset.

This provides significant comfort that the carrying value of each intangible asset is reasonable and is not impaired.

Products not yet completed

Product development costs are tested for impairment at the half year end and full year end. This assessment includes re-visiting the IAS 38 criteria for capitalising development costs, including consideration of the likely cost of completing the project and the expected profit on sale.

7. Inventories

A summary of inventory is set out below:

	(Unaudited) As at 30 June 2017 £000	(Unaudited) As at 30 June 2016 £000	(Audited) As at 31 December 2016 £000
Raw materials	**247**	341	236
Work-in-progress	**715**	344	370
Finished goods	**12,606**	16,377	13,404
Total gross inventories	**13,568**	17,062	14,010
Inventory provisions	**(401)**	(755)	(694)
Total net inventories	**13,167**	16,307	13,316
Provision % of total gross inventory	***3.0%***	*4.4%*	*4.9%*

CO sensors made by Pace Sensors, the Group's wholly owned subsidiary in Canada are shipped to Pace Technology, an independent third party supplier based in China for assembly into finished CO detectors which are purchased by Sprue Safety Products. As Pace Technology is an independent third party business to the Group, the Board considers that it is not appropriate to maintain a provision for unrealised profit in CO detectors purchased from Pace Technology and held at the balance sheet date.

Following receipt on 31 March 2017 of the notice by Newell Brands to terminate the 2010 BRK Distribution Agreement, any remaining BRK products in inventory as at 31 March 2018 will be returned to BRK at the price Sprue paid for them and the cost of the stock shall be deducted from the BRK creditor then. Sprue will continue to sell BRK stock between now and 31 March 2018 and the Board anticipates that there will be approximately £3.0m of BRK products in stock on 31 March 2018, the termination date of the BRK distribution agreement.

8. Trade and other receivables

A summary of trade and other debtors is set out below:

	(Unaudited) As at 30 June 2017 £000	(Unaudited) As at 30 June 2016 £000	(Audited) As at 31 December 2016 £000
Trade receivables	**13,143**	9,694	13,003
Other debtors	**56**	-	47
Prepayments	**1,166**	997	401
Trade and other receivables	**14,365**	10,691	13,451

In September 2016, Sprue agreed to acquire the software and development rights to the source code to Intamac's software and, as part of that transaction, it and Intamac agreed to convert its prepaid licence fee of £0.45m into consideration for the acquisition. Consequently, £0.45m of the £1.0m prepayment as at 30 June 2016 was reclassified into intangible assets in the second half of 2016.

9. Trade and other payables

At 30 June 2017, £7.8m (as at 30 June 2016: £5.9m) of Trade payables were denominated in Sterling, £0.1m of payables were denominated in Euros (as at 30 June 2016: Nil) and £1.0m in US Dollars (as at 30 June 2016: £2.2m).

	(Unaudited) As at 30 June 2017 £000	(Unaudited) As at 30 June 2016 £000	(Audited) As at 31 December 2016 £000
Trade payables	8,936	8,102	11,696
Accruals and deferred income	3,996	4,338	4,421
Other tax and social security	773	657	624
	13,705	13,097	16,741

10. Provisions

A summary of the warranty provision analysed between FireAngel and BRK products is as follows:

	FireAngel Product Warranty £000	**BRK Brands Product Warranty £000**	**Warranty Total £000**
At 1 January 2016	6,463	330	6,793
Additional provision in period	136	247	383
Utilisation of provision	(1,196)	(290)	(1,486)
At 30 June 2016	5,403	287	5,690
At 31 December 2016	4,333	260	4,593
Additional provision in period	-	314	314
Utilisation of provision	(943)	(109)	(1,052)
At 30 June 2017	**3,390**	**465**	**3,855**

Following receipt by the Company of the required 12 months' notice from Newell to terminate both the BRK distribution agreement and manufacturing agreement with effect from 31 March 2018, the BRK warranty provision was increased by £0.2m to £0.5m. The provision of £0.5m is expected to cover the foreseeable costs of dealing with any BRK warranty issues.

The total product warranty provision is classified between less than one year and greater than 1 year as follows:

	(Unaudited) As at 30 June 2017 £000	(Unaudited) As at 30 June 2016 £000	(Audited) As at 31 December 2016 £000
Current provision	**2,400**	2,197	2,800
Non-current provision	**1,455**	3,493	1,793
Total warranty provision	**3,855**	5,690	4,593

As at 30 June 2017, the Group maintained warranty provisions of £3.9m (as at 30 June 2016: £5.7m) against the cost of replacing products where there are known product warranty issues where the long term rate of product returns is expected to be above 1.0% of net Group sales (as at 30 June 2016: 1.0%). It is estimated that approximately £2.4m (as at 30 June 2016: £2.2m) of the total warranty provision will be utilised within 12 months with the balance to be utilised over the next two to three years.

Determining the amount of the warranty provision, which reflects the Board's best estimate of resolving the warranty issues, requires the exercise of significant judgement. It is necessary, therefore, to form a view on matters which are inherently uncertain, such as the returns profile over time, the final return rate, whether the return rate of each year of production will be similar, whether the return rates from different sales channels will vary and the estimated cost of redress. The Board has considered all of these factors to determine an estimate of the future number of product returns together with the estimated cost of providing free of charge replacement products.

There is a greater degree of uncertainty in assessing these factors when an issue is first identified. Consequently, the continued appropriateness of the underlying return assumptions is reviewed on an ongoing basis with actual returns versus expected returns by year of manufacture regularly presented to the Board. It is encouraging that in total, the overall level of 2012 and 2013 returns to 30 June 2017 is still within management's original April 2016 estimates. The estimated terminal rate of returns for each year of production was, and still is, based on an expected terminal rate of returns of 2012 production rate adjusted for the expected rates of return in the relevant sales channel.

It is possible that following changes in the manufacturing process at the battery supplier, the terminal rate of product returns of later years of battery production used in products sold in 2014 and beyond could be lower than the rates of return used for production in 2012 and 2013.

11. Share capital

Details of the authorised and issued fully paid share capital are as follows:

Authorised:	**(Unaudited) Company 2017 Number '000**	(Unaudited) Company 2016 Number '000
100,000,000 Ordinary shares of 2p each		
Ordinary shares in issue:		
As at 1 January	**45,855**	45,855
Issue of shares in respect of share options exercised	**-**	-
As at 30 June	**45,855**	45,855

Issued and fully paid ordinary shares of 2p each:	**£000**	£000
As at 1 January	**917**	917
Issue of share capital in respect of share options exercised	**-**	-
As at 30 June	**917**	917

The Company has one class of ordinary shares which carry no right to fixed income.

12. Options

A summary of the change in share options is set out below:

	H1 2017		H1 2016	
	Options '000	**Weighted average exercise price**	Options '000	Weighted average exercise price
Outstanding at 1 January	**1,952**	**97p**	2,026	102p
Exercised during the period	**-**	**-**	-	200p
Granted during the period	**-**	**-**	-	2p
Expired during the period	**(3)**	**200p**	(74)	200p
Outstanding and exercisable 30 June	**1,949**	**96p**	1,950	97p

Further details of share options outstanding at 30 June 2017 are as follows:

Grant date	Outstanding at start of period	Exercised during the period	Granted during the period	*Forfeited during the period	Outstanding at end of period	Expiry date	Exercise price
Directors' share options							
25/04/2014	319,445	-	-	-	**319,445**	28/04/2021	200p
03/06/2015	900,000	-	-	-	**900,000**	03/06/2025	2p
Employee share options							
30/06/2010	50,000	-	-	-	**50,000**	29/06/2017	35p
25/04/2014	607,614	-	-	(3,181)	**604,433**	28/04/2021	200p
03/06/2015	45,000	-	-	-	**45,000**	03/06/2025	2p
03/06/2015	30,000	-	-	-	**30,000**	03/06/2015	2p
	1,952,059	-	-	(3,181)	**1,948,878**		

**Forfeited share options during the period relate to employees who left the Group in H1 2017*

13. Dividends

In respect of the year ended 31 December 2016, the directors recommended the payment of a final dividend of 5.5 pence per share payable on 7 July 2017 to shareholders on the register on 23 June 2017 which was subsequently approved by shareholders at the Company's Annual General Meeting on 15 June 2017. Therefore the final dividend has been included as a liability in these financial statements. The total dividend payable in 2017 (including the 2.5 pence per share interim dividend) will be 8.0 pence per share which will cost approximately £3.7m.

14. Financial risk management and financial instruments

Introduction

The Group's activities expose it to a variety of financial risks that include currency risk, interest rate risk, credit risk and liquidity risk. These financial statements do not include all financial risk management information and disclosures required in the annual financial statements which should therefore be read in conjunction with the Group's financial statements as at 31 December 2016. There have been no changes to the risk management policies since the year ended 31 December 2016.

The Group's bankers perform the valuations of financial derivatives for financial reporting purposes.

The total net loss on forward contracts recognised in the operating result for the period ended 30 June 2017 was £0.3m (2016 H1: £0.4m loss) and is included within "Cost of sales". The decrease or increase in the valuation of forward contacts in the period is presented in the cash flow statement.

Foreign exchange rate risk

Over the next 12 months, a significant proportion of total sales are likely to be generated in Continental Europe in Euros. To mitigate the exchange rate risk, the Group regularly places forward contracts up to 12 months out selling Euros buying either US Dollars or buying Sterling. In addition, a significant proportion of the Group's product costs are in US Dollars. Again, to mitigate the exchange rate risk on product purchases, the Group covers part of the forward US requirements by placing forward contracts up to 12 months out from the balance sheet date.

Typically, there are a number of forward contracts maturing in any one month which blends the impact of changes in the relevant currency exchange rate against Sterling over time. At 30 June 2017, the Group had forward contracts in place to sell Euros which amounted to €15.5m (as at 30 June 2016: €18.1m) and forward contracts to buy US Dollars of US $12.9m (as at 30 June 2016: US $10.0m).

The Group's results are inevitably affected by the translational impact of changes in relevant exchange rates. Accordingly, if Sterling weakens against the Euro by 1 cent, measured over a whole year, the Group's Euro sales and Euro gross profit in Sterling would each increase – all other things being equal – by approximately £0.2m. If Sterling strengthens against the Euro by 1 cent, again measured over a whole year all other things being equal, the Group's Euro sales and gross profit in Sterling would decline by approximately £0.2m.

With the move to source all products in US Dollars from Flex and a Far East based supplier next year, the Group's exposure to changes in the value of the exchange rate between Sterling and the US Dollar increases as the exchange rate risk on products sourced from DTL is currently evenly shared between the Company and DTL. If Sterling strengthens against the US Dollar by 1 cent, measured over 12 months, current product costs would reduce by approximately £0.3m and if Sterling weakens against the US Dollar, over time over 12 months, the Group would see on cost in its product costs of approximately £0.3m.

Financial Instruments and the non-adoption of hedge accounting

All forward contracts are "marked to market" at the balance sheet date with the net gain or loss arising taken to cost of sales in the month. The movement in the value of forward contracts (which is a non-cash unrealised profit or loss) is disclosed in the cash flow statement as an adjustment to operating profit. Losses on forward contracts are added back to operating profit, and gains on forward contracts are deducted from operating profit to arrive at net cash flow from operations.

The Board believes that by using forward contracts and by valuing those contracts at the balance sheet date and reflecting the entire net gain or entire net loss in the income statement to date, the presentation of the financial performance of the Group is transparent and easy to understand. However, in adopting this accounting treatment and by not hedge accounting, the Board accepts that the financial performance of the Group in times of volatile exchange rates may fluctuate significantly.

In light of the move to source almost all of the Group's products in US Dollars from 31 March 2018, the Board has decided to review whether to adopt hedge accounting.

15. Related party: Newell Brands Inc. ("Newell")

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

In H1 2016, Newell acquired the entire issued share capital of Jarden Corporation, the Company's largest shareholder in the Group. During the period, certain Group companies entered into the following transactions with Newell which is not a member of the Group:

	Newell		
	(Unaudited) Period ended 30 June 2017 £000	(Unaudited) Period ended 30 June 2016 £000	(Audited) Year ended 31 December 2016 £000
Sales of goods in period	-	3	196
Purchases of goods in period including engineering fees	**9,628**	9,975	19,534
Distribution agreement fee	**1,415**	1,483	2,982
Dividends payable	**-**	-	912
Amounts owed by related parties at period end	**-**	-	-
Amounts owed to related parties at period end	**6,506**	4,592	7,670

Newell, through its subsidiary BRK Brands Europe Limited, holds a significant proportion of the Company's ordinary shares (23.4% as at 30 June 2017) and has a right to nominate a director for appointment to the Company's Board of directors. On 31 March 2017, Newell's nominated director, Tom Russo resigned with immediate effect following the serving of notice by Newell on Sprue to terminate both the manufacturing agreement and distribution agreement.

Despite not having a director on the Board, the Directors consider that Newell is a related party to the Company given its significant shareholding. Purchases between related parties are made under contractual arrangements negotiated on an arm's length basis.

Newell represents the single largest supplier to the Group supplying all of the Group's smoke alarms, heat alarms and accessories from DTL which in turn sources products from CICAM.

Sales of goods in the period of £nil (H1 2016: £3,000) related to Newell's wholly owned subsidiary, Mapa Spontex, which is based in France.

16. Post balance sheet events

There were no post balance sheet events between 30 June 2017 and the date of approval of these unaudited interim results by the Board on 22 September 2017.

17. Availability

The interim financial information covers the period 1 January 2017 to 30 June 2017 and these statements were approved by the Board on 22 September 2017. Further copies of this interim announcement can be accessed on the Sprue Aegis plc investor relations website, www.sprueaegis.com.

Responsibility Statement

We confirm to the best of our knowledge:

- the consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- the Interim management report includes a fair review of the information, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the Interim management report includes a fair review of the information, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period and also any changes in the related party transactions described in the last Annual Report that could do so.

At the date of this statement, the Directors are those listed in the Group's 2016 Annual Report as amended by the changes summarised above.

Approved by the Board and signed on its behalf.

Neil Smith
Group Chief Executive

John Gahan
Group Finance Director

SPRUE AEGIS

INDEPENDENT REVIEW REPORT TO SPRUE AEGIS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim financial report for the six month period ended 30 June 2017 which comprises the Condensed Statement of Consolidated Income, Condensed Statement of Consolidated Comprehensive Income, the Condensed Statement of Consolidated Financial Position, the Condensed Statement of Consolidated Changes in Equity, the Condensed Statement of Consolidated Cash Flows and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The interim financial report, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing and presenting the interim financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee pronouncements as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the six month period ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union, and the AIM Rules of the London Stock Exchange.

RSM UK Audit LLP

Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

22 September 2017

Board of Directors

Executive

Graham Whitworth	Executive Chairman
Neil Smith	Group Chief Executive
Nick Rutter	Chief Product Officer
John Gahan	Group Finance Director

Non-executive

William Payne
Ashley Silverton
John Shepherd
Tom Russo (until 31 March 2017)

Corporate Directory

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Shareholder information

SHAREHOLDER ENQUIRIES
Any shareholder with enquiries should, in the first instance, contact our registrar, Neville Registrar, using the address provided in the Corporate Directory.

SHARE PRICE INFORMATION
London Stock Exchange Alternative Investment Market (AIM) symbol: **SPRP**

Information on the Company's share price is available on the Sprue Aegis investor relations website at www.sprueaegis.com

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