SPRUE AEGIS

19 September 2016

Sprue Aegis plc
("Sprue", the "Company" or the "Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 distinct brands of FireAngel, AngelEye, SONA, FireAngel Pro and Pace Sensors based on its own CO and smoke sensing and wireless technology. Sprue is also the exclusive European distributor of the brands of BRK Brands Europe Limited ("BRK Brands") namely First Alert, BRK and Dicon. Sprue is pleased to announce its unaudited interim results for the six months ended 30 June 2016.

Financial highlights

- H1 2016 trading was slightly ahead of management's expectations despite the decline in revenue to £25.9m (H1 2015: £56.5m) as a result of:
  - £33.7m decline in France post the March 2015 legislative deadline to fit at least one working smoke alarm in every domestic property;
  - £1.6m decline in Germany where customers deferred orders into H2 2016 preferring to wait for products with a Panasonic battery; the order book for Germany is building and Q3 2016 sales are expected to be at least Euro 3.0m higher than the same quarter last year;
  - £3.7m (+26%) net increase in total UK and Pace Sensors sales; and
  - £1.0m increase in sales to other customers within the Continental European business unit is a 200% increase over H1 2015 which follows our strategic intent to broaden the international appeal of Sprue's brands
- Operating result before share-based payments charge was an operating loss* of £0.9m (H1 2015: operating profit £9.0m) and is stated after a £0.2m restructuring charge
- At H1 2015 exchange rates, the H1 2016 operating loss* would have been circa £0.3m higher at £1.2m (H1 2015: operating profit* £9.0m)
- Gross margin pre-BRK distribution fee declined by 3.5% to 25.5% (H1 2015: 29.0%) principally due to:
  - effect of higher proportion of UK Retail sales which were 29% of total sales (H1 2015: 8%) and a reduced proportion of Continental European sales which were 31% of total sales (H1 2015: 75%); and
  - £0.5m increase in stock provisions to cover rework costs and potentially over stocked lines
- H1 2016 FireAngel warranty costs relating to the high impedance battery issue identified earlier in the year are broadly tracking management's expectations
- Strong balance sheet with net cash as at 30 June 2016 of £14.7m (30 June 2015: £28.9m) and no debt (30 June 2016: £nil)
- Cash declined by £7.7m since 31 December 2015 principally due to the circa £7.0m payment in H1 2016 for the buffer stock ordered to mitigate against potential supply chain disruption due to the relocation of the factory in China in Q4 2015; this stock remains largely unsold as at 30 June 2016 although the Board is confident it will be sold over the next 12 months
- The Board has declared a maintained interim dividend of 2.5 pence per share and remains confident of a solid recovery and return to profitability in H2 2016

- Approximate gross profit on sales of BRK products was £1.3m (H1 2015: £8.3m which included a significant contribution from sales into France) and was marginally lower than the £1.5m BRK distribution fee (H1 2015: £1.8m)
- After the H1 2016 restructuring charge of £0.2m and additional £0.1m of net costs associated with the acquisition of source code** and development rights to software developed by Intamac Systems Limited (the "Intamac Software Acquisition"), announced separately today, the Board continues to expect Sprue's sales and operating profit before share-based payments charge for the year ending 31 December 2016 to be in line with market expectations at approximately £58.0m and £1.9m respectively.

**Operating (loss) / profit is stated pre-share-based payments charge of £0.3m (H1 2015: £0.2m) but after a £0.2m restructuring charge (H1 2015: £nil)*

***acquired under a perpetual royalty-free licence*

Operational highlights

- Year to date product warranty returns relating to the high impedance battery issue announced in April 2016 are broadly tracking in line with management's expectations
  - Current indications suggest that the total warranty provision of £5.7m is likely to be adequate to deal with the expected warranty costs based on product return rates to date
  - Total warranty provision as at 30 June 2016 was £5.7m (31 December 2015: £6.8m, 30 June 2015: £1.3m)
- As part of the strategic review of the business led by the Non-Executive Directors, John Gahan, Group Finance Director, and Nick Rutter, whose title has changed from Managing Director to Chief Product Officer, now both report to Neil Smith, Group Chief Executive. Graham Whitworth remains the Group's Executive Chairman and Neil reports into Graham
- Post-period end, and announced separately today, the Company has acquired source code and development rights to software developed by Intamac Systems Limited for total consideration of up to £2.8m in cash.

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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 is now launching its own connected homes product proposition. Its principal products are smoke alarms, CO alarms and accessories and the Group has an extensive portfolio of patented intellectual property. Sprue has patented its technology in Europe, the US and other selected territories.

The introduction of new technologically advanced products and new safety products legislation in the UK and in Europe, and increasing levels of awareness of the dangers of smoke and CO, continue to drive sales.

Sprue manufactures CO sensors at its subsidiary, Pace Sensors for use in its CO alarms. All other manufacturing and product assembly is outsourced to two principal third party contract manufacturers in China, one of which is Newell Brands (which acquired Jarden Corporation earlier this year) which owns 23.4% of the Company's issued share capital and Pace Technology which is independent from Newell Brands.

Sprue enjoys a leading sales footprint in UK Retail and the UK's Fire & Rescue Services ("UK F&RS"). The Group also supplies the UK's Utility 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 significant sales into Continental Europe mainly selling through a network of independently owned third party distributors.

The Group has won a number of prestigious Sunday Times Virgin *Fast Track 100* Awards, which recognises the 100 fastest growing companies in the UK. Sprue's head office is in Coventry and it has a second office in Gloucester. Distribution centres are located in Cambridge and Gloucester.

Sprue's range of products is comprehensive, allowing the Group to tailor the range of smoke alarms, CO alarms and accessories to suit its customer needs at various price points under the following brands:

- **FireAngel.** A market-leading and innovative battery operated range of smoke and CO alarms principally targeted at UK Retail and UK F&RS
- **AngelEye.** Launched in 2012, Sprue sells smoke alarms and CO detectors principally into the French market under the AngelEye brand which has become a leading brand targeted at the DIY channel in France
- **SONA.** A new, low power consumption mains-powered range of smoke and heat alarm products plus CO detection that are market leading and which can be wirelessly interconnected with up to 50 products on a single network
- **FireAngel Pro.** Mains-powered smoke and heat alarms with a 10 year, sealed for life lithium battery back-up. Modern design, quick fitting, tamper-proof mounting plate which locks the alarm head securely in place.
- **Pace Sensors.** CO sensors used within Sprue's CO products are developed by Sprue and Pace Sensors, Sprue's wholly owned subsidiary in Canada. Pace Sensors' CO sensors are used within all FireAngel, AngelEye and Pace Sensors CO detectors and certain First Alert and Dicon branded CO detectors

Sprue is the exclusive European distributor for BRK Brands Europe Limited, (a subsidiary of Newell Brands) in Europe namely, First Alert, BRK and Dicon. First Alert is one of the leading safety products brands in North America.

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

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Executive Chairman's Statement

H2 2016 is expected to be a far stronger period than H1 for Sprue with a return to profitability. Sales are recovering strongly with certified Panasonic battery products now being shipped into Germany. We are seeing increased levels of customer confidence in the quality of Sprue's products and sales into Germany in Q3 2016 are now expected to be circa Euro 3.0 million higher than the comparable quarter last year.

The battery impedance issue announced in H1 2016 has been managed as well as could be expected and I am pleased to report that we have not lost any major customers as a result of this issue. Total product returns in the year to date are tracking broadly in line with management's expectations and of the total £6.8m warranty provisions as at 31 December 2015 - which principally relate to the high impedance battery issue - we utilised £1.1m to cover warranty costs incurred in H1 2016. The current provision appears adequate to address our future product warranty costs exposure at this stage.

I am also pleased that we managed to reach a settlement agreement with the supplier of the high impedance batteries who has agreed to provide the Group with compensation of up to £0.7m. We will take the financial benefit of this settlement to profit as the battery manufacturer ships free of charge batteries to our supplier in China.

The Intamac Software Acquisition, announced separately today, which comprises source code and software development rights to software developed by Intamac Systems Limited, is a critical development for the long term sales potential of the Group. This opens up the prospect of revenue from new markets, new services and the potential of recurring revenues and gives Sprue the ability to connect and monitor a vast installed network of its products over the internet. The consideration payable is up to a total of £2.8m in cash and will be funded from the Group's net cash.

Since the EU Referendum and Sterling's devaluation against the US Dollar, the Group has seen significant on cost in all of its smoke and CO products and we are therefore taking steps to mitigate the cost impact to improve gross margins which will take effect towards the end of this year and early next year. Offsetting the cost increase - which affects all importers of products in US Dollars - the Group benefits from a more favourable exchange rate on its sales denominated in Euros.

The Board is also pleased to announce that it is declaring a maintained interim dividend of 2.5 pence per share.

After the H1 2016 restructuring charge of £0.2m and additional £0.1m of net costs associated with the Intamac Software Acquisition, the Board continues to expect Sprue's sales and operating profit before share-based payments charge for the year ending 31 December 2016 to be in line with market expectations at approximately £58.0m and £1.9m respectively.

Graham Whitworth
Executive Chairman

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Group Chief Executive's Statement

Introduction

In the first half, the Group performed ahead of management's expectations with an operating loss* of £0.9m, which was significantly better than we were expecting.

The UK recorded significant net growth in sales of £2.7m, up 20% compared to H1 2015, due to a strong performance by all of the UK businesses (mainly based on the continuation of significant growth in the Group's CO sales). As expected, UK Fire & Rescue Services (F&RS) sales declined by £1.7m as its sales in H1 2015 benefitted from Department for Communities and Local Government's ("DCLG") £2.3m funding of smoke and CO alarms which was not repeated this year.

The interim results for the six months ended 30 June 2016 are unfortunately dominated by the sharp decline in European sales, specifically a £33.7m reduction in French sales post the 2015 smoke alarm legislation deadline and £1.6m decline in German sales where customers deferred orders to H2 2016 preferring to wait for products with a Panasonic battery.

We are already shipping products with a Panasonic battery into Germany and are continuing to rebuild the order book in the second half of the year. Customer feedback on the new products has been highly encouraging and sales into Germany in Q3 2016 are now expected to be approximately Euro 3.0m higher than the same quarter last year. We believe that we can maintain this sales momentum and the Intamac Software Acquisition will further enhance our product offering in Germany.

SONA update

We are extremely pleased with the in-roads we are making into the significant UK Trade market and Sprue's revolutionary new low power consumption mains powered products and accessories that incorporate Sprue's Wi-Safe 2, Thermoptek and Thermistek technology have been very well received by customers.

This is a market where Sprue expects to see significant further growth in sales over time as it gains a greater foothold in this market with an estimated value of approximate £80m per annum.

CO update

In the UK, Sprue enjoyed considerable growth adding additional CO customers to its portfolio and was helped by Sprue's own advertising and Government legislation which has continued to increase awareness of the dangers of CO.

We see a trend of increasing awareness of CO developing across Europe which is expected to result in very significant growth in sales of CO detectors into many of the markets within Continental Europe where we do not have a presence today, or where we are present and market penetration levels are negligible compared to the UK. If CO sales were to expand in France, Germany and other Continental European countries to a similar level of penetration as in the UK, Sprue would undoubtedly see very significant further growth in sales of CO products.

High impedance battery issue

The Group continues to closely monitor product warranty return rates each month. Whilst it is still early days and we will continue to keep product returns under tight scrutiny, based on the level of high impedance battery product returns we have seen, the total £5.7m provision as at 30 June 2016

(31 December 2015: £6.8m and 30 June 2015: £1.3m) appears adequate in the context of the future costs expected to be incurred in relation to this issue.

£0.2m restructuring charge

Due to the expected lower sales and resultant reduction in the profitability of the Group this year, the Board implemented a fixed overhead reduction exercise which resulted in a restructuring charge of £0.2m (H1 2015: £nil) with expected annualised savings of £0.8m to come through in 2017. The Board's priority is to continue to improve the operational and financial performance of the Group and deliver value for customers and shareholders. Whilst the restructuring was a difficult period for everyone involved, the Group is now better placed to move forward.

Change in Director reporting lines and Director title

Following the Non-Executive strategic review of the business, both John Gahan, Group Finance Director, and Nick Rutter, whose title has now changed from Managing Director to Chief Product Officer, now both report directly to me rather than to Graham Whitworth, Executive Chairman. This provides me with closer management control of their respective areas of the business bringing me closer to the Group's finances, product quality and the product and technical areas of our business. Meanwhile, Graham remains as Executive Chairman and continues to be closely involved in all strategic aspects of Sprue's business.

Technology and product development update

Sprue continues to invest in its Connected Homes Solutions ("CHS") to connect a wider range of its products to the internet. The acquisition of the source code and development rights to Intamac's software is a very exciting and logical development for the Group. Over time, sales of connected products are expected to increase significantly and Sprue is extremely well placed to expand its sales into this emerging market with its own technology and product offering to keep it at the forefront of each of the markets in which it competes.

The Intamac Software Acquisition is also an excellent fit with the Group's strategy to increase its addressable markets through the addition and creation of exciting new technology.

We remain focused on delivering on our core growth strategy which includes a number of key areas to improve our profitability including increasing CO sales across Europe into new and emerging markets, and growing our UK Trade business with sales of SONA. We are better positioned than ever before to deliver long term shareholder value.

Neil Smith
Group Chief Executive

**Operating (loss) / profit is stated pre-share-based payments charge of £0.3m (H1 2015: £0.2m) but after a £0.2m restructuring charge (H1 2015: £nil)*

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Financial Report

Trading summary

Revenue for the first half of the year decreased by 54% to £25.9m (H1 2015: £56.5m) which was principally due to a £33.7m fall in French sales and German customers deferring orders into H2 2016, partially offset by significant net growth in UK sales and Pace Sensors. Total non-Continental European sales increased by 26% compared to H1 2015, largely due to higher sales of CO products.

Gross margin (before the £1.5m BRK distribution fee (H1 2015: £1.8m)) decreased to 25.5% (H1 2015: 29.0%). The reduction in gross margin is due to a combination of:

- higher proportion of UK Retail sales which were 29% of total sales (H1 2015: 8%) and a reduced proportion of Continental European sales which were 31% of total sales (H1 2015: 75%); and
- £0.5m increase in stock provisions to cover rework costs and potentially over stocked lines.

The Group reported an adjusted H1 operating loss of £0.9m (H1 2015: operating profit of £9.0m), which includes a £0.2m restructuring charge within Administrative Expenses, but excludes share-based payments charge of £0.3m (H1 2015: £0.2m). At like-for-like exchange rates with H1 2015, the H1 2016 operating loss (excluding share-based payments charge) would have been approximately £0.3m higher than reported at £1.2m.

Purchases from DTL, the Group's principal smoke alarm and accessories supplier amounted to £10.0m in H1 2016 (H1 2015: £28.9m) have been recorded in inventory and cost of sales at the average year to date exchange rate between Sterling and the US Dollar to 30 June 2016 in accordance with the revised terms of the DTL purchasing agreement announced earlier this year.

Basic EPS was a loss of 1.3 pence per share (H1 2015: earning per share of 16.9).

Revenue by business unit

The table below summarises the revenue for each of the Group's business units and Pace Sensors. At like-for-like exchange rates with H1 2015, the Sterling value of European revenue in 2016 would have been approximately £0.5m lower than reported.

Revenue from continuing operations	**H1 2016 Revenue £000**	H1 2015 Revenue £000	Change £000	% Change
Business Units:				
Europe	**8,090**	42,400	(34,310)	(81%)
UK Trade	**4,027**	3,033	994	33%
UK Retail*	**7,492**	4,465	3,027	68%
UK Fire & Rescue Services	**2,757**	4,408	(1,651)	(37%)
UK Utilities*	**1,313**	1,033	280	27%
Pace Sensors Limited	**2,260**	1,151	1,109	96%
Total revenue from continuing operations	**25,939**	56,490	(30,551)	(54%)

Note in 2015, certain Leisure accounts were transferred into the Retail business unit from Utilities and therefore, we have restated the H1 2015 Retail and Utilities comparatives accordingly*

The principal changes in revenue are as follows:

- The Group benefitted from significant smoke alarm sales into France in H1 2015 following the legal requirement for all domestic homes to fit at least one working smoke alarm and although the market declined sharply in 2016, we see signs of the smoke market normalising and emerging CO opportunities;
- 40% growth in CO detector sales in the UK predominantly led by UK Retail;
- Sales of SONA in the first half were encouraging and made a healthy contribution to the overall £1.0m increase in UK Trade sales;
- Significant reduction in the UK F&RS sales as in H1 2015, the Group benefitted from the £2.3m of sales which were funded by the DCLG; and
- Pace Sensors sales increased by 96% and were helped by higher CO detector sales through UK Retail, UK Trade and UK Utilities. Whilst we have retained our Gen 1 sensor in all our 10 year CO products, Nano sensors equated to almost half of all sensors sold by Pace Sensors in Canada

Exchange rates

Average month end exchange rates against Sterling are summarised below.

	Average for H1		
	2016	2015	% change
Euro	**1.28**	1.35	(5.2%)
US Dollar	**1.43**	1.53	(6.5%)
Canadian $	**1.91**	1.87	2.1%

The table above shows that on average, in H1 2016 compared to the same period last year, Sterling weakened against the Euro by 5.2%, increasing Sprue's revenue and profit on its Euro denominated income (which was 29% of the Group's total sales in H1 2016 and just 8% in H1 2015), and weakened against the US Dollar by 6.5%, increasing the Sterling equivalent cost of all of Sprue's China-sourced products. In H1 2016, Sterling strengthened by 2.1% against the Canadian Dollar although the net adverse financial impact on Group profit was not material.

With effect from 1 January 2016, the Group is effectively sharing the impact of movements in the exchange rate between Sterling and the US Dollar with its key supplier, DTL, despite continuing to purchase in Sterling. The cost of product purchased from DTL in H1 2016 reflects the actual year to date exchange rate. All the Group's CO detector requirements continue to be sourced in US Dollars from its third party supplier.

The significant level of stock holding will help the Group to mitigate much of the 2016 profit impact of product cost increases caused by Sterling's weakness against the US Dollar following the EU Referendum. Product cost increases as a result of Sterling's weakness are coming through and therefore, the Group has commenced a product range rationalisation programme to reduce the number of stock keeping units to drive its product cost base down, together with a review of customer selling prices to seek to offset the product cost inflation since the EU Referendum.

Balance sheet and cash flow

Sprue continues to increase investment in product development and capitalises specific people and non-people costs which meet the relevant criteria. These costs are then amortised against future profits from the sale of these products / technologies. Product development costs are typically amortised over a 7 to 10 year period and are regularly reviewed for any signs of impairment.

The net book value of capitalised product development costs at 30 June 2016 was £7.2m (30 June 2015: £4.8m), equivalent to 13.1% of expected full year sales (30 June 2015: 5.4% of 2015 sales). An analysis of the intangibles by product group / technology together with detailed commentary thereon is set out at note 6 below.

In H1 2016, the Group acquired tangible fixed assets amounting to £0.4m (as at 30 June 2015: £0.3m) mainly relating to test equipment to increase the range of tests the Group's Technical team is able to perform in house to provide greater certainty to passing and to accelerate product certification timescales.

Deferred tax assets as at 30 June 2016 of £0.7m (30 June 2015: £0.2m) relate primarily to unrelieved taxable losses which are expected to be relieved against future profits within the next 12 months. Deferred tax liabilities as at 30 June 2016 of £1.5m (30 June 2015: £1.1m) relate primarily to product development costs where we have claimed accelerated R&D tax credits.

In 2016, Sprue is expected to remain a "small" company for tax purposes and will claim R&D tax credits at 230% which is expected to create a taxable loss and result in a sizeable tax credit for the full year. We await a receipt of £0.9m tax credit from HMRC in respect of overpaid 2014 and 2015 corporation tax which we expect to receive before the Group's year end.

Total warranty provisions as at 31 December 2015 amounted to £6.8m of which £2.2m was included within current liabilities to cover expected warranty costs to be incurred in 2016. In total, £1.1m of the £2.2m year end provision was utilised in H1 2016.

As at 30 June 2016, the Group reclassified £1.1m from warranty provisions within non-current liabilities into current liabilities. The vast majority of total warranty costs currently incurred by the Group are principally associated with the battery impedance issue previously announced in April 2016.

Distribution costs in H1 2016 increased to £0.6m (H1 2015: £0.4m) despite the lower sales due to the higher costs of servicing UK Retail and UK Trade customers and the reduction in Continental European sales (where products are generally shipped directly to the distributor). In addition, the Group incurred third party storage costs associated with additional warehousing to accommodate the £7.0m of buffer stock acquired at the back end of H2 2015.

Net cash flow from operations was negative at £6.1m (30 June 2015: £14.7m positive), principally due to the £5.1m reduction in creditors (following payment for the £7.0m of buffer stock received in Q4 2015) and the £1.1m cash cost of dealing with warranty which was charged against the warranty provision. However, the balance sheet remains robust with net cash at 30 June 2016 of £14.7m (30 June 2015: £28.9m) and no debt.

Dividend

The Board is pleased to declare a maintained interim dividend of 2.5p per share (H1 2015: 2.5p per share) payable on 28 October 2016 to shareholders on the register on 14 October 2016. 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

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CONDENSED STATEMENT OF CONSOLIDATED INCOME
PERIOD ENDED 30 JUNE 2016

	Notes	**(Unaudited) Period ended 30 June 2016 £000**	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Revenue	3	**25,939**	56,490	88,303
Cost of sales excluding BRK distribution fee and exceptional warranty charge		**(19,316)**	(40,112)	(61,548)
BRK distribution fee		**(1,483)**	(1,853)	(3,460)
Exceptional warranty charge	9	**-**	-	(5,500)
Total cost of sales		**(20,799)**	(41,965)	(70,508)
Gross profit		**5,140**	14,525	17,795
Distribution costs		**(553)**	(441)	(750)
Administrative expenses excluding share-based payments charge		**(5,489)**	(5,050)	(9,788)
Share-based payments charge		**(282)**	(242)	(527)
Total administrative expenses		**(5,771)**	(5,292)	(10,315)
Total fixed costs		***(6,324)**	(5,733)	(11,065)
(Loss) / profit from operations pre-exceptional warranty charge in 2015 and pre share-based payments charges		**(902)**	9,034	**12,757
% of sales		**(3.5%)**	16.0%	14.5%
(Loss) / profit from operations		**(1,184)**	8,792	6,730
Finance income		**49**	29	89
(Loss) / profit before tax		**(1,135)**	8,821	6,819
Income tax credit / (charge)	4	**556**	(1,131)	(810)
(Loss) / profit attributable to equity owners of the parent		**(579)**	7,690	6,009
Earnings per share (pence)	5			
From continuing operations:				
Basic		**(1.3)**	16.9	13.2
Diluted		**(1.3)**	16.8	13.1

*Total fixed costs in H1 2016 include a £0.2m restructuring charge within Administrative expenses (H1 2015: £nil)

**Operating profit in financial year ended 31 December 2015 is stated before the inclusion of the £5.5m exceptional charge for warranty.

Continuing operations

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

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CONDENSED STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2016

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
(Loss) / profit for the period	**(579)**	7,690	6,009
Items that may be reclassified subsequently to profit and loss:			
Net exchange gain / (loss) on translation of foreign operations (net of tax)	**153**	(21)	(60)
Other comprehensive income / (expense) for the period	**153**	(21)	(60)
Total comprehensive (loss) / income for the period	**(426)**	7,669	5,949

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CONDENSED STATEMENT OF CONSOLIDATED FINANCIAL POSITION
AS AT 30 JUNE 2016

	NOTES	**(Unaudited) 30 June 2016 £000**	(Unaudited) 30 June 2015 £000	(Audited) 31 December 2015 £000
Non-current assets				
Goodwill		**169**	169	169
Computer software		**74**	54	63
Product development costs	6	**7,190**	4,782	6,333
Plant and equipment		**990**	697	740
Deferred tax assets		**694**	239	284
		9,117	5,941	7,589
Current assets				
Inventories	7	**16,307**	5,872	15,557
Trade and other receivables	8	**10,691**	20,394	11,717
Current tax assets		**756**	-	308
Derivative financial assets	14	**-**	343	91
Cash and cash equivalents		**14,664**	28,923	22,403
		42,418	55,532	50,076
Total assets		**51,535**	61,473	57,665
Current liabilities				
Trade and other payables		**(13,097)**	(22,285)	(18,202)
Proposed dividends		**(2,522)**	(2,732)	-
Current tax liabilities		**-**	(924)	-
Warranty provisions	9	**(2,197)**	(1,263)	(2,200)
Derivative financial liabilities	14	**(495)**	(216)	(187)
		(18,311)	(27,420)	(20,589)
Net current assets		**24,107**	28,112	29,487
Non-current liabilities				
Warranty provisions	9	**(3,493)**	-	(4,593)
Deferred tax liabilities		**(1,512)**	(1,066)	(1,386)
Total non-current liabilities		**(5,005)**	(1,066)	(5,979)
Total liabilities		**(23,316)**	(28,486)	(26,568)
Net assets		**28,219**	32,987	31,097
Equity				
Share capital	10	**917**	911	917
Share premium		**12,713**	12,094	12,713
Foreign exchange reserve		**24**	(90)	(129)
Retained earnings		**14,565**	20,072	17,596
Total equity attributable to the owners of the parent		**28,219**	32,987	31,097

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CONDENSED STATEMENT OF CONSOLIDATED CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2016

	Share capital £000	Share premium £000	Foreign exchange reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2015	909	12,003	(69)	14,795	27,638
Profit for the six months	-	-	-	7,690	7,690
Foreign exchange gains and (losses) from overseas subsidiaries	-	-	(21)	-	(21)
Total comprehensive income for the six months	-	-	(21)	7,690	7,669
Transactions with owners in their capacity as owners:-					
Dividends	-	-	-	(2,732)	(2,732)
Issue of shares	2	-	-	-	2
Premium arising on issue of equity shares	-	91	-	-	91
Total transactions with owners in their capacity as owners	2	91	-	(2,732)	(2,639)
Share-based payment charge	-	-	-	242	242
Deferred tax credit on share-based payment	-	-	-	77	77
Balance at 30 June 2015	**911**	**12,094**	**(90)**	**20,072**	**32,987**
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 loss 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 credit on share-based payments	-	-	-	(212)	(212)
Balance at 30 June 2016	**917**	**12,713**	**24**	**14,565**	**28,219**

SPRUE AEGIS

CONDENSED STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
(Loss) / profit before tax	**(1,135)**	8,821	6,818
Finance income	**(49)**	(29)	(89)
Operating (loss) / profit for the period	**(1,184)**	8,792	6,729
Adjustments for:			
Depreciation of property, plant and equipment	**141**	94	203
Amortisation of product development costs	**229**	286	231
Amortisation of computer software	**14**	12	27
Change in fair value of derivatives outstanding at the period end	**398**	241	464
Share-based payments charge	**282**	242	527
Operating cash flow before movements in working capital	**(120)**	9,667	8,181
Movement in inventories	**(750)**	2,437	(7,248)
Movement in receivables	**1,026**	(180)	8,496
Movement in warranty provision	**(1,103)**	390	5,920
Movement in payables	**(5,104)**	2,338	(1,745)
Cash (expensed) / generated by operations	**(6,051)**	14,652	13,604
Income taxes paid	**(384)**	(667)	(1,197)
Net cash (expensed) / generated from operating activities	**(6,435)**	13,985	12,407
Investing activities			
Purchase of product development costs	**(1,086)**	(775)	(2,271)
Purchase of computer software	**(25)**	(26)	(50)
Purchase of property, plant and equipment	**(391)**	(255)	(411)
Interest received	**49**	29	89
Net cash used on investing activities	**(1,453)**	(1,027)	(2,643)
Financing activities			
Proceeds from issue of ordinary shares	**-**	93	718
Dividends paid	**-**	-	(3,877)
Net cash generated / (used) from financing activities	**-**	93	(3,159)
Net (decrease) / increase in cash and cash equivalents	**(7,888)**	13,051	6,605
Cash and cash equivalents at beginning of period	**22,403**	15,887	15,887
Non-cash movements	**149**	(15)	(89)
Cash and cash equivalents at end of the period	**14,664**	28,923	22,403

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 2015 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 2015.

Risks and uncertainties

An outline of the key risks and uncertainties faced by the Group is described in the 2015 financial statements, including exposure to foreign exchange rate fluctuation, in particular the strength of Sterling relative to the US Dollar and the Euro. Risk is an inherent part of doing business and with the strong 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

The following new standards and amended standards, none of which have had a material impact on these financial statements, are mandatory and relevant to the Group for the first time for the financial period commencing 1 January 2016:

- Annual improvements 2012-2014
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38: Clarification of acceptable Methods of Depreciation and Amortisation

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

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no 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.

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 excludes information on overheads and other income statement information, which is reported on an aggregated basis.

All assets 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 2016, revenues of approximately £7.8m (H1 2015: £33.2m) were derived from two (H1 2015: two) external customers, each of which individually contributed over 10% of the revenue of the Group. These revenues are attributable to the UK Retail and European business unit.

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

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Continuing operations:			
United Kingdom	**15,589**	12,939	31,614
Continental Europe and Rest of World	**10,350**	43,551	56,689
	25,939	56,490	88,303

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

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Continuing operations:			
UK	8,129	5,466	7,112
Canada	294	236	193
Non-current assets	8,423	5,702	7,305

4. Income tax

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

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Current tax			
UK corporation tax (credit) / charge	(217)	1,014	301
UK – Adjustments in respect of prior periods (credit)	-	-	(38)
Foreign tax charge	152	72	235
	(65)	1,086	498
Deferred tax			
Origination and reversal of temporary differences	(491)	45	312
Income tax (credit) / expense	(556)	1,131	810

Domestic income tax is calculated at 20.0% (H1 2015: 20.5%) of the estimated assessable profit for the year.

The tax credit for H1 2016 is primarily attributed to claiming small company's enhanced R&D tax relief at the elevated 230% rate (H1 2015: 176% rate being 3 months at 125% and 3 months at 230%).

Legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 has been enacted. The deferred tax balances have been calculated at 20% where they are expected to be utilised before 1 April 2017 and at a rate of 19% where they are expected to be utilised after 1 April 2017.

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5. Earnings per share

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

	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Earnings from continuing operations			
Earnings for the purposes of basic and diluted earnings per share ((loss) / profit for the period attributable to owners of the parent)	**(579)**	7,690	6,009
Number of shares	**'000**	'000	'000
Weighted average number of ordinary shares for the purposes of basic earnings per share	**45,855**	45,501	45,613
Effect of dilutive potential ordinary shares:			
Deemed issue of potentially dilutive shares	**80**	278	322
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**45,935**	45,779	45,935

	2016 pence	2015 pence	2015 pence
Basic (loss) / earnings per share	**(1.3)**	16.9	13.2
Diluted (loss) / earnings per share	**(1.3)**	16.8	13.1

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 £7.2m as at 30 June 2016, is shown below, along with the average remaining useful economic life of each intangible asset which are typically amortised between 7 to 10 years.

	Wi-safe 2 £000	Nano £000	SONA £000	Smoke sensing products £000	Connected home* £000	Various future products* £000	CO sensing products £000	Other £000	Total £000
Cost									
At 1 January 2016	1,505	1,403	1,164	1,273	509	341	395	1,505	8,095
Additions	153	-	145	129	359	99	63	138	1,086
At 30 June 2016	**1,658**	**1,403**	**1,309**	**1,402**	**868**	**440**	**458**	**1,643**	**9,181**
Amortisation									
At 1 January 2016	155	-	19	270	-	-	40	1,278	1,762
Charge	55	34	48	56	18	-	13	5	229
At 30 June 2016	**210**	**34**	**67**	**326**	**18**	**-**	**53**	**1,283**	**1,991**
Carrying amount									
At 31 December 2015	1,350	1,403	1,145	1,003	509	341	355	227	6,333
At 30 June 2016	**1,448**	**1,369**	**1,242**	**1,076**	**850**	**440**	**405**	**360**	**7,190**
% of total	*20%*	*19%*	*17%*	*15%*	*12%*	*6%*	*6%*	*5%*	*100%*
Average UEL left (yrs)	**8.8**	**9.8**	**9.8**	**6.7**	**9.9**	**10.0**	**6.7**	**6.9**	**9.4**

**Except for an £18,000 amortisation charge for Sprue's gateway in H1 2016 (H1 2015: £Nil), products within the Connected Homes and various future products are still under development and as such, are not finished and therefore there is no amortisation charge in respect of these intangibles.*

Additions relate to new products and / or technology under development which will be amortised over their expected useful economic lives once sales of the associated products commence. The following is a high level summary of the products in the table above:

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 2016. Wi-safe 2 is a core piece of technology which is expected to underpin a number of key products and accessories going forwards, especially in the Connected Homes arena.

Nano

Nano is the miniaturised CO sensor developed by Sprue's wholly owned subsidiary in Canada, Pace Sensors. The Nano went into full production into finished CO detectors in April 2016. Nano's net book value of £1.4m as at 30 June 2016 represents the costs incurred in the development of the CO sensor and the final development of finished CO products that incorporate the sensor.

SONA

Sprue launched a new fully certified range of mains powered SONA branded smoke and carbon monoxide products and accessories for the UK Trade sector which includes heat alarms, smoke alarms, CO alarms and a remote test and reset product in December 2014.

SONA provides a technology advantage over competitor products especially 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 SONA, which also includes other SONA technology related products under development this year, amounted to £1.2m as at 30 June 2016.

Smoke sensing products

The net book value of smoke sensing products as at 30 June 2016 amounted to £1.1m and includes all Sprue's own branded FireAngel developed products and smoke products under development.

Connected Home Solutions ("CHS")

CHS allows Sprue to connect and monitor a wider range of Sprue's own products through its interface gateway technology to the internet. As part of this plan, Sprue is developing an app for users which will work on any Android or iOS device. At the same time, Sprue is expanding the skills and capabilities of its Technical team to accelerate product development in this area. The net book value of CHS as at 30 June 2016 amounted to £0.9m and includes the following net book values:

- Intamac technology £0.6m (excluding the prepaid licenses which are described in note 8)
- Z-wave module (wireless language technology) £0.2m
- Innohome (cooker shut off products) £0.1m

Various future products ("VFP")

The net book value of VFP amounted to £0.4m as at 30 June 2016 and consists primarily of the Group's next generation smoke and CO alarms. 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 products as at 30 June 2016 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.

Other

Other includes various smaller products that do not fall neatly into any one category or where the net book values are not individually significant.

Impairment review

During H1 2016, the Group did not record any impairment charges upon review of its product development cost intangible assets.

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 gross profit in the next 12 months which is expected to be derived from the sale of products that use the relevant intangible asset. 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. In many cases, the expected gross profit within the next 12 months from the sale of products that use the intangible asset is actually significantly larger than the net book value of the individual intangible asset on the balance sheet. This provides significant comfort that the carrying value of each intangible is reasonable and is therefore not impaired.

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 not yet completed

Product development costs and other intangible assets not yet available for use are tested for impairment annually, and are assessed whether there is any indication that the asset may be impaired. This assessment includes consideration of the likely cost of completing the project.

7. Inventories

	(Unaudited) As at 30 June 2016 £000	(Unaudited) As at 30 June 2015 £000	(Audited) As at 31 December 2015 £000
Raw materials	**341**	136	142
Work-in-progress	**344**	258	170
Finished goods	**16,377**	5,947	15,523
Total gross inventories	**17,062**	6,341	15,835
Inventory provisions	**(755)**	(469)	(278)
Total net inventories	**16,307**	5,872	15,557
Inventory provision % of total gross inventory	***4.4%***	*7.4%*	*1.8%*

Pace Sensors, the Group's wholly owned subsidiary in Canada manufactures carbon monoxide sensors ("CO Sensors") for use in the Group's CO detectors. The CO sensors are shipped to Pace Technology, an independent third party supplier based in China for assembly into finished CO detectors which are then purchased by Sprue in the UK.

8. Trade and other receivables

	(Unaudited) As at 30 June 2016 £000	(Unaudited) As at 30 June 2015 £000	(Audited) As at 31 December 2015 £000
Trade receivables	**9,694**	19,935	11,297
Other debtors	**-**	-	113
Prepayments	**997**	459	307
Trade and other receivables	**10,691**	20,394	11,717

Included within prepayments as at 30 June 2016 is £0.45m (as at 30 June 2015: £nil) in respect of software licenses granted by Intamac Systems Limited ("Intamac") in accordance with a Software Development Agreement in January 2016. In the deal announced with Intamac in September 2016, Sprue acquired the software and development rights to the source code to Intamac's software. As part of that transaction, Sprue and Intamac agreed to convert Sprue's prepaid licence fee of £0.45m into consideration for the acquisition of Intamac's software and the £0.45m prepayment will be reclassified into intangible assets in the full year accounts.

9. Warranty provision

	FireAngel products £000	BRK Brands products £000	Total £000
At 1 January 2015	819	55	874
Additional provision in period	398	785	1,183
Utilisation of provision	(432)	(362)	(794)
At 30 June 2015	**785**	**478**	**1,263**
At 31 December 2015	**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**

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

	(Unaudited) As at 30 June 2016 £000	(Unaudited) As at 30 June 2015 £000	(Audited) As at 31 December 2015 £000
Current provision	**2,197**	1,263	2,200
Non-current provision	**3,493**	-	4,593
Total warranty provision	**5,690**	1,263	6,793

Warranty provision

As at 30 June 2016, the Group maintained warranty provisions of £5.7m (as at 30 June 2015: £1.3m) against the cost of replacing products where there were known specific product issues resulting in an expectation that the level of returned products will exceed the Group's maximum long term product returns rate of 1.0% (as at 30 June 2015: 1.0%).

Determining the amount of the provision, which reflects the Board's best estimate of resolving these 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 average cost of redress.

There is a greater degree of uncertainty in assessing these factors when an issue is first identified. Consequently, the continued appropriateness of the underlying assumptions will be reviewed on an ongoing basis against actual experience and other relevant evidence and adjustment made to the provision over time as required.

The actual product returns in H1 2016 are broadly in line with management's expected level of product returns and therefore no further adjustment to the provision is deemed necessary as at 30 June 2016.

The provision relates mainly to the high impendence battery issue and is most sensitive to the assumption regarding the final return percentage rate. For reference, a 10% increase in the estimated final return rate, with no further improvement for each subsequent year of affected production, would result in an increase in the provision of approximately £0.5m.

10. Share capital

Authorised:	**(Unaudited) Company 2016 Number '000**	(Unaudited) Company 2015 Number '000
100,000,000 Ordinary shares of 2p each		
Ordinary shares in issue:		
As at 1 January	**45,855**	45,496
Issue of shares in respect of share options exercised	**-**	46
As at 30 June	**45,855**	45,542

Issued and fully paid Ordinary shares of 2p each:	**£000**	£000
As at 1 January	**917**	909
Issue of share capital in respect of share options exercised	**-**	2
As at 30 June	**917**	911

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

11. Options

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

	H1 2016		H1 2015	
	Options '000	**Weighted average exercise price**	Options '000	Weighted average exercise price
Outstanding at 1 January	**2,026**	**200p**	1,479	200p
Exercised during the period	**-**	**200p**	(46)	200p
Granted during the period	**-**	**2p**	975	2p
Expired during the period	**(76)**	**200p**	(82)	200p
Outstanding and exercisable 30 June	**1,950**	**102p**	2,326	200p

Further details of share options outstanding at 30 June 2016 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	681,230	-	-	(75,975)	**605,255**	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
	2,025,675	-	-	(75,975)	**1,949,700**		

**forfeited share options during the period relate to employees who left the Group in H1 2016*

12. Dividends

In respect of the year ended 31 December 2015, the directors recommended the payment of a final dividend of 5.5 pence per share payable on 22 July 2016 to shareholders on the register on 8 July 2016. This dividend was approved by shareholders at the Annual General Meeting on 30 June 2016 and has been included as a liability in these financial statements. The total 2015 dividend paid was 8.0 pence per share which cost approximately £3.7m.

13. Foreign currency

The Group continues to generate significant amounts of Euros in excess of its Euro payment requirements and is exposed to movements between GBP and the USD which can significantly affect the Group's product cost of sales. The Group has forward contracts in place to reduce its net foreign exchange rates extending out to May 2017. All contracts are marked to market at the balance sheet date with the net gain or loss arising taken to cost of sales in the relevant month.

14. Financial risk management and financial instruments

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 2015. There have been no changes to the risk management policies since the year ended 31 December 2015.

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 2016 was £0.4m (2015: £0.2m loss) and is included within "Cost of Sales".

15. Related parties: Newell Brands Incorporated

In H1 2016, Newell Brands acquired the entire issued share capital of Jarden Corporation, the Group's previous largest individual shareholder in the Group.

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.

During the period, Group companies entered into the following transactions with Newell which is not a member of the Group:

	Newell		
	(Unaudited) Period ended 30 June 2016 £000	(Unaudited) Period ended 30 June 2015 £000	(Audited) Year ended 31 December 2015 £000
Sales of goods in period	3	2,696	3,168
Purchases of goods in period including engineering fees	9,975	28,815	49,581
Distribution agreement fee	1,483	1,853	3,460
Dividends payable	-	-	912
Amounts owed by related parties at period end	-	332	-
Amounts owed to related parties at period end	4,592	15,775	11,221

Newell Brands, through its subsidiary BRK Brands Europe Limited, holds a significant proportion of the Company's ordinary shares (23.4% as at 30 June 2016) and has representation on the Company's board of directors. Consequently, the Directors consider that Newell Brands is a related party. Purchases between related parties are made under contractual arrangements negotiated on an arm's length basis.

Newell Brands represents the single largest supplier to the Group supplying a significant proportion of the Group's purchased products. Sales of goods in the period relate to Newell Brand's wholly owned subsidiary, Mapa Spontex, which is based in France.

16. Post balance sheet event

On 16 September 2016, for a total consideration of up to £2.8m in cash (excluding VAT) payable over the next 12 months, Sprue acquired source code and development rights to software developed by Intamac Systems Limited. This will enable Sprue and its customers to connect and monitor Sprue's whole range of wireless products over the internet.

The Board believes that this is a major development for the Company as it significantly extends Sprue's technical capability and provides an opportunity to sell a wide range of internet-enabled products and services as part of its new Connected Homes Strategy.

Using its patent pending technology, Sprue has the ability to use the data it collects from Connected Homes products to not only *detect* fires, but using an advanced algorithm, to be able to identify properties at elevated risk of experiencing a fire in the *future.*

Based on expressions of customer interest received already, the Board is optimistic of commencing sales of internet-enabled products in Q4 2016.

As part of the transaction, Sprue has hired two of Intamac's senior software development engineers to enable it to operate and maintain the software. Sprue has also contracted with Amazon to host its customers' data on a secure server.

17. Date of approval of financial information

The interim financial information cover the period 1 January 2016 to 30 June 2016 and were approved by the Board on 16 September 2016. Further copies of the interim financial information can be accessed on the Sprue Aegis plc investor relations website, www.sprueaegis.com.

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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 2015 Annual Report as amended by the changes summarised above.

Approved by the Board and signed on its behalf.

Neil Smith	John Gahan
Group Chief Executive	**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 2016 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 2016 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

16 September 2016

SPRUE AEGIS

Board of Directors

Executive

G Whitworth	Executive Chairman
N Smith	Group Chief Executive
J Gahan	Group Finance Director
N Rutter	Chief Product Officer

Non-executive

W Payne
A Silverton
T Russo
J Shepherd

Corporate Directory

REGISTERED NUMBER
3991353

SECRETARY
W Payne

REGISTERED OFFICE
Bridge House
4 Borough High Street
London
SE1 9QR

AUDITOR
RSM UK Audit LLP
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

REGISTRAR
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
B63 3DA

SOLICITOR
Ashfords LLP
1 New Fetter Lane
London
EC4A 1AN

BANKER
HSBC plc
3 Rivergate
Temple Quay
Bristol
BS1 6ER

NOMINATED ADVISOR AND BROKER
Stockdale Securities Limited (formerly
Westhouse Securities Limited)
Beaufort House
15 St. Botolph Street
London
EC3A 7BB

SPRUE AEGIS

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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Website: www.sprueaegis.com