

Security Research Group plc

("Security Research Group" or the "Company")

Final Results for the year ended 31 March 2013

The Directors of Security Research Group are pleased to announce the audited final results for the year ended 31 March 2013. The Report and accounts and notice of AGM will shortly be posted to shareholders and a copy will be made available on the Company's website (www.srgroupplc.com).

Financial Highlights

	2013 £'000	2012 £'000
Specialist electronics	6,765	11,635
Property information services	152	744
Packaging solutions	302	273
Head office	(616)	(660)
Operating profit	6,603	11,992
Underlying earnings per share	23.24p	35.75p
Basic earnings per share	15.89p	19.76p

- MoD contract successfully concluded on time and on budget
- £18.3m repaid to shareholders over the last two years
- £5.4m cash at year end

Enquiries:

Security Research Group plc

Jonathan Mervis, Chairman 020 7881 0800

John Warwick, Finance Director

WH Ireland Limited

Chris Fielding, Head of Corporate Finance 020 7220 1650

James Bavister, Corporate Finance Executive

Chairman's Statement

Another year of strong turnover and excellent profit figures have been achieved, although slightly down on last year. This year's turnover at £29,363,893 and last year's at £37,272,645 were substantially better than historical levels.

Profit before tax and exceptional items for the year was £6,682,042 compared with a profit before tax and exceptional items of £12,070,793 in the prior year. The substantial level of profits earned during the period is due to the application of engineering, manufacturing and sales techniques in supplying world beating products.

Shareholders will no doubt have welcomed the £15,191,577 returned to them through two share buy backs in the year which, together with £3,083,155 returned to them in the previous year, equates to £18,274,732, amounting to 94p per share based on the 19.4 million shares currently in issue. £5.4 million cash was retained at the year end.

A two year MOD contract came to an end with all equipment delivered, approved and accepted by this exacting customer. Product deployment in December 2012 was a satisfying end to two years of dedicated work. However, changes in operational requirements for overseas forces, the impending withdrawal of ISAF forces from Afghanistan and the change in tactics employed by insurgents have resulted in a substantial reduction in the deployment of our innovative and unique detector at present.

The Specialist Electronics Division has now been able to concentrate its resource and effort on developing new products and markets, and to place emphasis on a global sales drive. Reference is made in the financial statements to a number of innovative devices having unique selling points. These products are predominantly for use in non-conflict situations and are being marketed in the UK and in a number of other selected countries.

At the annual Distributor Conference held in Corby in April 2013, attended by more than 30 Distributors from across the globe, these products were launched and enthusiastically received.

Property Information Services (PSG) and Packaging Solutions (Moore & Buckle) both had a profitable year.

We are grateful to the outstanding commitment and loyalty of our employees who have been substantially responsible for the excellent achievements.

The Specialist Electronics Division is our main focus as it redevelops and re-energises its core marketplace supported by a dynamic marketing strategy. The positive response it is receiving from potential customers can be attributed to the rapid and cooperative dovetailing of the sales and engineering teams. We look forward to reporting to shareholders the results of these initiatives in due course.

CEO's Update

Specialist Electronics

The past year has seen changes to the Senior Management Team in the Specialist Electronics Division.

Damian Rowbotham, previously Finance Director for ComfortDelGro's UK & Ireland businesses, joined us in April 2012 as the Managing Director of Audiotel International. In addition, Barney Hubble who was critical to the success of the recent MOD contract, was appointed to the board as Business Development Director during the year.

Julie Brown (Resources Director) retired after 17 years dedicated service to Audiotel and in recent months Debbie Braybrook (Finance Director) has moved on to pastures new as part of a major re-organisation of the team.

We now have a stronger, more broadly experienced and focussed sales team moving forward, which under the direction of the new Senior Management Team, will bring the recently launched products to the global marketplace in the current year.

During the MOD contract we operated from two separate premises in Corby, but have recently merged all our operations in one centre. This provides a fully modern, well equipped factory and office complex ready to take on the new challenges that will be presented in the years to come.

The end of the MOD contract has seen serious downsizing of the production team and I would like to take the opportunity to thank all those staff who were employed with us for their dedicated service during the last two years.

Property Information Services

The PSG team based in Barnsley, South Yorkshire, have performed well under the supervision of Andrea Glover (Managing Director) in a very challenging marketplace.

The PSG Franchisee Network continues to promote and market a comprehensive selection of legal reports and services under the online PSG Connect banner. The unique combination of a truly national supplier with a 'local' service is the envy of its competitors.

Packaging Solutions

The small Moore & Buckle team based in St Helens have remained stable and continue to perform profitably in a niche marketplace.

Operating Review

Specialist Electronics

Overview

2013 was a year of two distinct parts for the Specialist Electronics Division. The first part was all about delivery when the entire Division, and in particular the production and technical teams, rose to the challenge of successfully delivering the MOD contract, on time and on budget. The second part was focused on raising the company and brand profile, achieved through sales and marketing activity and a raft of new product releases. The rebranding activity and product innovation were very well received by our distribution network and customer base. Turnover for the year was £23,566,245 compared with £31,281,262 in the prior year. The operating profit before exceptional items for the year was £6,765,220 compared with an operating profit before exceptional items of £11,635,491 in the prior year.

Product and Technical Leadership

The conclusion of the MOD contract during the year allowed the technical team to focus their expertise on new product development. The results have been especially pleasing with our latest releases being not only world beating in terms of performance, but also unique in their application. Our NLJD Archway for electronics detection, a world first, has attracted a great deal of interest, most significantly in Asia and Eastern Europe. Our new portable Meeting Guard, released earlier this year, provides 24/7 real-time protection from eavesdropping, with remote monitoring if required, and once again is a unique proposition generating a great deal of interest. We have a clear roadmap for technical development with a range of innovative products in the pipeline, which we are extremely excited about, and we continue to invest in focused research to help preserve technical leadership in our field.

Manufacturing Excellence

Quality remains at the heart of our business and our global reputation has certainly been strengthened through our work with the UK Government. Following contract completion, the production team numbers were reduced, but fortunately we were able to retain the most skilled and flexible staff for the business going forward. Our capability has been substantially enhanced over the last few years, with both facilities and skills markedly better. We now boast the flexibility to be able to manufacture both highly complex low volume electronic products and high volume batches as required.

Sales Development

One of our recent goals was to raise the division's profile globally. This activity commenced in earnest with a rebranding exercise, new marketing collateral and importantly a refreshed website. These were successfully launched to our global network of distributors in April 2013, together with our latest products and technical roadmap. The distribution network has been energised by the speed and quality of product development activity and also welcomed our increased dynamism in supporting their sales efforts.

Specialist Electronics New Products

Enhanced SB Range of NLJDs

Effectively locating concealed electronic devices.

The new Superbroom (SB) range is our latest advance in lightweight powerful Non-Linear Junction Detector (NLJD) technology.

A versatile device which incorporates the best elements from our 35 years of developing NLJDs. SB is available in a range of output powers, 2W, 4W and 10W. An Explosive Ordnance Disposal (EOD) variant is also available, which incorporates a metal detector for increased target detection and discrimination.

Archway

Detecting concealed items.

The Archway is the future in Intellectual Property theft protection. Specifically designed using the advanced technology of Non-Linear Junction Detection, it is able to detect concealed devices even if they are turned off.

Suitable for detecting a wide range of electronic components and devices including mobile phones, SIM cards, USB memory sticks, listening and recording devices or cameras.

The Archway can be used as a conventional security-style archway or, for a more discreet approach, it can be supplied as a single panel. The versatility of the Archway makes it an essential part of your security.

Meeting Guard

Meeting room protection.

The Meeting Guard provides a flexible solution for keeping meeting rooms, office and public areas safe from eavesdropping. Providing real-time protection from active devices as well as transmission from store and forward devices.

The Meeting Guard benefits from a compact and portable design that allows it to be deployed easily with no additional infrastructure and minimal training.

Property Information Services

Review

Turnover for the Property Information Services division for the year was £4,234,208 compared with £4,576,410 in the previous year. The operating profit before exceptional items for the year was £152,244 compared with an operating profit before exceptional items of £743,503 for the previous year. A goodwill impairment charge of £1,416,694 was incurred in the year which, in addition to the £3,537,539 incurred in the previous year, reflects the fact that housing transactions are unlikely to return to historic levels for some considerable time.

Property Search Group and its network of franchisees continue to work in harmony, presenting a nationwide brand revered and respected by the legal community. There have been substantial improvements to the online ordering platform that consistently scores top marks with PSG's clients when compared to other platforms supplied by its competitors. In addition, internal IT systems across the network have been updated to provide seamless, end-to-end delivery of products that have improved service to clients, decreased administration tasks, added additional quality controls and increased efficiency.

Packaging Solutions

Review

Moore & Buckle remained a stable, consistent performer in a very specialist marketplace.

Turnover for the year was £1,563,440 compared with £1,414,973 in the previous year. The operating profit before exceptional items for the year was £301,947 compared with an operating profit before exceptional items of £272,725 in the previous year. A goodwill impairment charge of £287,058 was incurred in the year which, in addition to £600,000 incurred in the previous year, reflects a harsher business climate for this sector of the marketplace.

Consolidated income statement

For the year ended 31 March 2013

	Note	2013 £	2012 £
Revenue	2	29,363,893	37,272,645
Cost of sales		(14,045,747)	(16,733,938)
Gross profit		15,318,146	20,538,707
Administrative expenses		(8,715,130)	(8,547,204)
Operating profit before exceptional items		6,603,016	11,991,503
Exceptional administrative expenses	3	(1,703,752)	(4,137,539)
Operating profit	4	4,899,264	7,853,964
Finance costs	8	(10,929)	-
Finance income	9	89,955	79,290
Profit on ordinary activities before taxation		4,978,290	7,933,254
Income tax expense	10	(1,295,735)	(2,823,233)
Profit on ordinary activities after taxation		3,682,555	5,110,021
Basic earnings per share	12	15.89p	19.76p
Diluted earnings per share	12	15.74p	19.57p

The consolidated income statement has been prepared on the basis that all operations are continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 March 2013

The profit on ordinary activities after taxation represents the Group's total comprehensive income for the year.

Statements of changes in equity

For the year ended 31 March 2013

Group	Capital					Total equity £
	Share capital £	Share premium £	redemption reserve £	Retained earnings £		
At 1 April 2011	5,506,648	5,250	-	10,927,975		16,439,873
Issue of new ordinary shares on exercise of options	267,778	432,222	-	-		700,000
Purchase of ordinary share capital (including costs of £71,195)	-	-	-	(3,083,155)		(3,083,155)
Cancellation of own shares	(626,313)	-	626,313	-		-

Total comprehensive income for the year	-	-	-	5,110,021	5,110,021
At 31 March 2012	5,148,113	437,472	626,313	12,954,841	19,166,739
Issue of new ordinary shares on exercise of options	76,190	114,286	-	-	190,476
Purchase of ordinary share capital (including costs of £127,393)	-	-	-	(15,191,577)	(15,191,577)
Cancellation of own shares	(1,339,038)	-	1,339,038	-	-
Total comprehensive income for the year	-	-	-	3,682,555	3,682,555
At 31 March 2013	3,885,265	551,758	1,965,351	1,445,819	7,848,193

Company	Capital				
	Share Capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2011	5,506,648	5,250	-	7,465,232	12,977,130
Issue of new ordinary shares on exercise of options	267,778	432,222	-	-	700,000
Purchase of ordinary share capital (including costs of £71,195)	-	-	-	(3,083,155)	(3,083,155)
Cancellation of own shares	(626,313)	-	626,313	-	-
Total comprehensive income for the year	-	-	-	1,859,548	1,859,548
At 31 March 2012	5,148,113	437,472	626,313	6,241,625	12,453,523
Issue of new ordinary shares on exercise of options	76,190	114,286	-	-	190,476
Purchase of ordinary share capital (including costs of £127,393)	-	-	-	(15,191,577)	(15,191,577)
Cancellation of own shares	(1,339,038)	-	1,339,038	-	-
Total comprehensive income for the year	-	-	-	9,025,624	9,025,624
At 31 March 2013	3,885,265	551,758	1,965,351	75,672	6,478,046

Consolidated statement of financial position

As at 31 March 2013

	Note	2013 £	2012 £
Non-current assets			
Goodwill	13	3,273,142	4,976,894
Other intangible assets	14	627,271	688,357
Property, plant and equipment	15	411,514	1,581,020
Deferred tax asset	20	312,101	125,047
		4,624,028	7,371,318
Current assets			
Inventories	18	1,189,318	1,312,635
Trade and other receivables	19	2,721,402	7,222,481
Cash and cash equivalents		5,397,860	17,268,743
		9,308,580	25,803,859
Current liabilities			
Trade and other payables	21	(5,666,328)	(11,171,152)
Current tax liability		(418,087)	(2,837,286)

		(6,084,415)	(14,008,438)
Net current assets		3,224,165	11,795,421
Net assets		7,848,193	19,166,739

Represented by:

Capital and reserves attributable to equity holders

Called up share capital	22	3,885,265	5,148,113
Share premium account		551,758	437,472
Capital redemption reserve		1,965,351	626,313
Retained earnings		1,445,819	12,954,841
Total equity		7,848,193	19,166,739

Company statement of financial position

As at 31 March 2013

	Note	2013 £	£	2012 £	£
Non-current assets					
Property, plant and equipment	15	34,379			36,090
Investments in subsidiaries	16	6,650,322			8,354,074
		6,684,701			8,390,164
Current assets					
Trade and other receivables	19	43,802		15,472	
Cash and cash equivalents		1,097,303		4,896,244	
		1,141,105		4,911,716	
Current liabilities					
Trade and other payables	21	(1,292,760)		(848,357)	
Current tax payable		(55,000)		-	
		(1,347,760)		(848,357)	
Net current (liabilities)/ assets			(206,655)		4,063,359
Net assets			6,478,046		12,453,523

Represented by:

Capital and reserves attributable to equity holders

Called up share capital	22	3,885,265	5,148,113
Share premium account		551,758	437,472
Capital redemption reserve		1,965,351	626,313
Retained earnings		75,672	6,241,625
Total equity		6,478,046	12,453,523

Statements of cash flows

For the year ended 31 March 2013

Group

Company

	2013	2012	2013	2012
	£	£	£	£
Cash flows from operating activities				
Profit before taxation	4,978,290	7,933,254	9,080,624	1,859,548
Adjustments for:				
Depreciation of property, plant and equipment	1,417,963	1,303,116	4,749	6,379
Amortisation of goodwill/investment write down	1,703,752	4,137,539	1,703,752	4,137,539
Amortisation of other intangible assets	533,392	367,196	-	-
Profit on disposal of tangible assets	(7,485)	(2,337)	-	-
Interest expense	10,929	-	-	-
Interest receivable	(89,955)	(79,290)	(9,727)	(10,963)
Dividends receivable	-	-	(10,321,530)	(6,370,260)
Changes in working capital:				
Decrease/(increase) in receivables	4,501,079	(3,148,309)	(28,330)	2,720
Decrease/(increase) in inventories	123,317	(163,109)	-	-
(Decrease)/increase in payables	(5,504,824)	8,767,987	444,403	393,138
Cash generated from operations	7,666,458	19,116,047	873,941	18,101
Interest paid	(10,929)	-	-	-
Income tax paid	(3,901,988)	(163,799)	-	-
Net cash generated from operating activities	3,753,541	18,952,248	873,941	18,101
Cash flows from investing activities				
Purchase of tangible assets	(287,729)	(2,052,547)	(3,038)	(847)
Purchase of other intangible assets	(472,306)	(559,095)	-	-
Proceeds from the sale of tangible assets	46,757	74,115	-	-
Dividends received	-	-	10,321,530	6,370,260
Interest received	89,955	79,290	9,727	10,963
Net cash (used in)/generated from investing activities	(623,323)	(2,458,237)	10,328,219	6,380,376
Cash flows from financing activities				
Issue of share capital	190,476	700,000	190,476	700,000
Purchase of own shares	(15,191,577)	(3,083,155)	(15,191,577)	(3,083,155)
Net cash used in financing activities	(15,001,101)	(2,383,155)	(15,001,101)	(2,383,155)
Net (decrease)/increase in cash and cash equivalents	(11,870,883)	14,110,856	(3,798,941)	4,015,322
Cash and cash equivalents at beginning of period	17,268,743	3,157,887	4,896,244	880,922
Cash and cash equivalents at end of period	5,397,860	17,268,743	1,097,303	4,896,244

--ENDS--