

Security Research Group plc

Interim Results for the six months ended 30 September 2014

Security Research Group plc ('the Group') comprises Specialist Electronics, consisting of Audiotel International Limited ('Audiotel') and its subsidiary Security Research Limited, Property Information Services Businesses ('PSG') and Moore & Buckle (Flexible Packaging) Limited ('M&B').

Specialist Electronics is focused on improving its existing range of products and on developing a range of completely new innovative products aimed at the commercial market.

PSG is a major provider of both commercial and residential property searches and Energy Performance Certificates to the conveyancing marketplace in England and Wales. PSG trades both through its expanded wholly owned operation based in Yorkshire and its national network of PSG Brand Franchisees across England and Wales.

M&B provides specialist, bespoke, flexible packaging solutions.

highlights

- Group profit before taxation £798,000 (2013: £219,000).
- Specialist Electronics operating profit £274,000 (2013: £7,000).
- Property Information Services operating profit £598,000 (2013: £368,000).
- M&B's operating profit £169,000 (2013: £123,000).

Enquiries:

Security Research Group plc 0207 881 0800
Jonathan Mervis, Chairman
John Warwick, Finance Director

WH Ireland Limited 0207 220 1666
Chris Fielding / James Bavister

Chairman's statement

Specialist Electronics

The operating profit for the period was £274,000 (2013: £7,000). The trading figures remain substantially lower than for the recent periods which benefited from the one off £50 million Ministry of Defence contract which concluded in December 2012.

Audiotel continues to focus on the improvement of its existing product range along with the development of new innovative products primarily aimed at the commercial market.

Notable sales during the period included:-

- For the Australian homeland security services, a £268,000 sale of SuperBroom handheld detectors.

- For the Egyptian government, a £120,000 sale of Archway systems which are suitable for detecting a wide range of active and inert electronics including mobile phones, USB memory sticks, electronic detonators and covert surveillance devices.
- Sales to Dubai, Japan and Columbia of around £200,000, in total, for miscellaneous equipment.

New products now at the prototype stage include:-

- A 'personal surveillance scanner' designed to provide real-time security against wireless surveillance intrusion.
- A handheld electronics detector which can be used, together with an Archway, for body searches.
- A handheld scanner aimed at the mobile phone detection marketplace, which can detect concealed 'screened electronic devices' currently undetectable by traditional equipment.

Following a review of specialist electronics activities we intend to increase our resource in both the sales and technical departments so enhancing our expertise in the development and marketing of mobile device apps which can be linked to our product ranges.

PSG

The outlook for PSG has improved substantially. The operating profit for the period was £598,000 (2013: £368,000).

The improvement at PSG can be attributed to:-

- Increased volume of house sale transactions.
- Regular proactive, comparative reviews of each individual franchisee's performance measured against that of peers which have a similar total of dwellings within their franchises.
- Monitoring of enforceable performance targets.
- The continued success of the enhanced national online platform which has enabled a more effective delivery of products and services.

Plans are under consideration to extend the PSG brand to deliver a wider range of different legal services to PSG's loyal and long standing client base of 2000 solicitors.

M&B

M&B's operating profit of £169,000 (2013: £123,000) improved by 37% compared with the first half of the previous financial year.

Outlook

The Directors are confident that with improving performance in each of its divisions the outlook for the Group is decidedly positive.

Jonathan Mervis
Chairman
5 November 2014

consolidated income statement

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 Unaudited £000 | Six months ended 30 September 2013 Unaudited £000 | Year ended 31 March 2014 Audited £000 |
|--|--|--|--|
| Revenue | 4,996 | 4,799 | 9,061 |
| Cost of sales | (2,195) | (2,295) | (4,102) |
| Gross profit | 2,801 | 2,504 | 4,959 |
| Administrative expenses | (2,124) | (2,294) | (4,414) |
| Operating profit before exceptional items | 677 | 210 | 545 |
| Exceptional administrative credits | 113 | - | 1,177 |
| Operating profit | 790 | 210 | 1,722 |
| Finance income | 8 | 9 | 17 |
| Profit on ordinary activities before taxation | 798 | 219 | 1,739 |
| Income tax (expense)/credit | (158) | 25 | (210) |
| Profit on ordinary activities after taxation | 640 | 244 | 1,529 |
| Basic earnings per share | 3.31p | 1.26p | 7.89p |
| Diluted earnings per share | 3.31p | 1.25p | 7.86p |

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

consolidated statement of comprehensive income

for the six months ended 30 September 2014

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

consolidated statement of changes in equity

for the six months ended 30 September 2014

| | Share Capital | Share Premium | Capital Redemption Reserve | Retained Earnings | Total |
|---|------------------|------------------|----------------------------------|----------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2013 | 3,885 | 552 | 1,965 | 1,446 | 7,848 |
| Total comprehensive income for the period | - | - | - | 244 | 244 |
| At 30 September 2013 | 3,885 | 552 | 1,965 | 1,690 | 8,092 |
| Cancellation of own shares | (19) | - | 19 | - | - |
| Receipt in relation to share cancellation | - | - | - | 79 | 79 |
| Total comprehensive income for the period | - | - | - | 1,285 | 1,285 |
| At 31 March 2014 | 3,866 | 552 | 1,984 | 3,054 | 9,456 |
| Total comprehensive income for the period | - | - | - | 640 | 640 |
| At 30 September 2014 | 3,866 | 552 | 1,984 | 3,694 | 10,096 |

consolidated statement of financial position

at 30 September 2014

| | 30 September | 30 September | 31 March |
|-------------------------------|---------------------|--------------|----------|
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £000 | £000 | £000 |
| Non-current assets | | | |
| Goodwill | 3,273 | 3,273 | 3,273 |
| Other intangible assets | 462 | 597 | 536 |
| Property, plant and equipment | 405 | 365 | 440 |
| Deferred tax asset | 186 | 282 | 221 |
| | 4,326 | 4,517 | 4,470 |
| Current assets | | | |
| Inventories | 1,292 | 1,262 | 1,527 |
| Trade and other receivables | 2,779 | 2,502 | 2,966 |
| Current tax asset | 269 | 289 | 269 |
| Cash and cash equivalents | 3,605 | 2,849 | 3,473 |
| | 7,945 | 6,902 | 8,235 |
| Current liabilities | | | |
| Trade and other payables | (1,963) | (3,272) | (2,865) |
| Current tax liability | (212) | (55) | (384) |
| | (2,175) | (3,327) | (3,249) |
| Net current assets | 5,770 | 3,575 | 4,986 |
| Net assets | 10,096 | 8,092 | 9,456 |

Represented by:

Capital and reserves attributable to equity holders

| | | | |
|----------------------------|---------------|-------|-------|
| Called up share capital | 3,866 | 3,885 | 3,866 |
| Share premium account | 552 | 552 | 552 |
| Capital redemption reserve | 1,984 | 1,965 | 1,984 |
| Retained earnings | 3,694 | 1,690 | 3,054 |
| Total equity | 10,096 | 8,092 | 9,456 |

consolidated statement of cash flows

for the six months ended 30 September 2014

| | Six months ended 30 September 2014 Unaudited £000 | Six months ended 30 September 2013 Unaudited £000 | Year ended 31 March 2014 Audited £000 |
|--|--|--|--|
| Cash flows from operating activities | | | |
| Profit before taxation | 798 | 219 | 1,739 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 56 | 57 | 110 |
| Amortisation of other intangible assets | 214 | 256 | 494 |
| Profit on disposal of property, plant and equipment | (3) | (16) | (46) |
| Interest receivable | (8) | (9) | (17) |
| Decrease/(increase) in receivables | 187 | 219 | (245) |
| Decrease/(increase) in inventories | 235 | (73) | (338) |
| Decrease in payables | (902) | (2,394) | (2,801) |
| Cash generated from/(used in) operations | 577 | (1,741) | (1,104) |
| Income tax paid | (295) | (597) | (422) |
| Net cash generated from/(used in) operating activities | 282 | (2,338) | (1,526) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | (26) | (19) | (176) |
| Expenditure on other intangible assets | (140) | (225) | (403) |
| Proceeds from sale of property, plant and equipment | 8 | 24 | 84 |
| Interest received | 8 | 9 | 17 |
| Net cash used in investing activities | (150) | (211) | (478) |
| Cash flows from financing activities | | | |
| Received in relation to share cancellation | - | - | 79 |
| Net cash generated from financing activities | - | - | 79 |
| Net increase/(decrease) in cash and cash equivalents | 132 | (2,549) | (1,925) |
| Cash and cash equivalents at beginning of period | 3,473 | 5,398 | 5,398 |
| Cash and cash equivalents at end of period | 3,605 | 2,849 | 3,473 |

notes to the interim financial statements

for the six months ended 30 September 2014

1. general information

The interim financial statements for the six months ended 30 September 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 4 November 2014.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 133 Ebury Street, London SW1W 9QU.

The Company's ordinary shares are admitted to trading on the AIM market of the London Stock Exchange.

The financial information for the six months ended 30 September 2014 set out in this interim report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2014 are extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. basis of preparation

The interim financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The information within these interim financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

3. accounting policies

The principal accounting policies used in preparing the interim financial statements and those the group expects to apply in its financial statements for the year ending 31 March 2015 are unchanged from those disclosed in the statutory financial statements for the year ended 31 March 2014.

4. segmental analysis

| | Six months ended 30 September 2014 Unaudited £000 | Six months ended 30 September 2013 Unaudited £000 | Year ended 31 March 2014 Audited £000 |
|------------------------------------|--|--|--|
| Revenue - operating segment | | | |
| Specialist electronics | 1,656 | 1,440 | 2,761 |
| Property information services | 2,560 | 2,606 | 4,692 |
| Packaging solutions | 780 | 753 | 1,608 |
| | 4,996 | 4,799 | 9,061 |
| Revenue - geographical area | | | |
| United Kingdom | 4,347 | 4,608 | 8,280 |
| Asia and Middle East | 96 | 156 | 552 |
| Europe | 67 | 20 | 163 |
| Other | 486 | 15 | 66 |
| | 4,996 | 4,799 | 9,061 |

| | | | |
|--------------------------------|--------------|-------|-------|
| Operating profit/(loss) | | | |
| Specialist electronics | 274 | 7 | 26 |
| Property information services | 598 | 368 | 845 |
| Packaging solutions | 169 | 123 | 313 |
| Head office | (364) | (288) | (639) |
| Exceptional items | 113 | - | 1,177 |
| | 790 | 210 | 1,722 |

| | | | |
|-------------------------------|---------------|-------|-------|
| Net operating assets | | | |
| Specialist electronics | 1,241 | 83 | 995 |
| Property information services | 3,263 | 3,316 | 2,989 |
| Packaging solutions | 1,965 | 1,933 | 1,994 |
| Head office | 22 | (89) | 5 |
| | 6,491 | 5,243 | 5,983 |
| Interest bearing assets | 3,605 | 2,849 | 3,473 |
| | 10,096 | 8,092 | 9,456 |

5. exceptional administrative credits

| | Six months ended 30 September 2014 Unaudited £000 | Six months ended 30 September 2013 Unaudited £000 | Year ended 31 March 2014 Audited £000 |
|---------------------------------------|--|--|--|
| Legal settlement with local authority | 113 | - | 1,177 |

6. earnings per share

Basic earnings per share calculations have been arrived at by reference to the following profit and weighted average number of shares in issue during the period. The actual number of shares in issue at 30 September 2014 was 19,328,900.

| | Six months ended 30 September 2014 | Six months ended 30 September 2013 | Year ended 31 March 2014 |
|---|---|---|-----------------------------------|
| Profit after tax | £640,000 | £244,000 | £1,529,000 |
| Weighted average number of shares in issue | 19,328,900 | 19,426,324 | 19,380,415 |
| Basic earnings per share | 3.31p | 1.26p | 7.89p |
| Weighted average number of shares in issue adjusted to take account of shares under option | 19,355,824 | 19,552,285 | 19,449,684 |
| Diluted earnings per share | 3.31p | 1.25p | 7.86p |