

26 November 2014

Security Research Group PLC

Proposed Cancellation of trading on AIM

Security Research Group PLC ("SRG" or the "Company") announces that it will, today, be sending a circular to Shareholders together with a notice convening a General Meeting of the Company ("General Meeting") to seek Shareholders' approval to cancel the admission of the Company's ordinary shares of 20p each ("Shares") to trading on AIM ("Cancellation" or "Delisting").

Introduction

The Directors have recently undertaken a review of the benefit of the Shares continuing to be traded on AIM. Having completed this review, which included consultation with the Company's advisers and Shareholders holding approximately 69.07 per cent. of the Company's issued share capital, your Directors have concluded that it is in the best interests of the Company and its Shareholders as a whole for admission of the Shares to trading on AIM to be cancelled.

The AIM Rules provide that Cancellation be conditional upon the approval of the special resolution regarding Delisting ("Resolution") by not less than 75 per cent of the votes cast, whether in person or by proxy, by Shareholders in a general meeting. The Company has received irrevocable undertakings to vote in favour of the Resolution in respect of 69.07 per cent. of the Company's issued share capital. On the basis that the Resolution is approved, the Directors have notified the London Stock Exchange, pursuant to Rule 41 of the AIM Rules, that 30 December 2014 is the preferred date of Cancellation.

The purpose of this announcement is to explain why the Directors consider the proposal to be in the best interests of the Company and its Shareholders as a whole and to recommend that you vote in favour of the Resolution required to implement the proposal at the General Meeting scheduled to take place at 9.30 a.m. on 18 December 2014, notice of which is included at the end of this announcement.

Timetable

Despatch of the Delisting circular	26 November 2014
Latest time for receipt of Form of Proxy for the General Meeting	9 a.m. on 16 December 2014
General Meeting to be held	9.30 a.m. on 18 December 2014
Last day of dealings of Shares on AIM	29 December 2014
Expected cancellation of trading of Shares on AIM	7 a.m. on 30 December 2014

Each of the times and dates above is subject to change. Any such change will be notified by an announcement on a Regulatory Information Service.

Background to and reasons for the proposed Cancellation

Since November 2005, when Jonathan Mervis was appointed Executive Chairman, the Company's strategy has been to rationalise and improve the performance of its constituent businesses, PSG Franchising Limited ("PSG"), Audiotel International Limited ("Audiotel") and Moore & Buckle (Flexible Packaging) Limited (Moore & Buckle").

Following a review of these businesses, the Board has determined that the best available route for Shareholders is for the Company to pursue a strategy of disposing of each of these businesses, with the intention of distributing or returning to Shareholders surplus cash over the next three years. The Company is not looking to make further acquisitions, hence it has no need to raise further capital or to issue further Shares. Therefore the Company's main purpose for being admitted to trading on AIM has fallen away and, as a result, the Directors feel it is no longer beneficial for SRG or its Shareholders for the Company to continue to incur the direct and indirect costs of its Shares being admitted to trading on AIM.

Following Cancellation, head office costs will be substantially reduced benefitting Group profitability and ensuring a maximum return of cash to Shareholders. It is the intention of the Directors to make a payment to shareholders of 15p per share in April 2015.

Following the appointment of Jonathan Mervis, 8,000,000 Shares were issued on 15 February 2006 at a price of 50p per share, immediately following which the Company's market capitalisation was approximately £15 million. Since then the Company has returned approximately £18 million to Shareholders by way of three tender offers without raising any additional equity capital. This represents a return on capital of approximately 120 per cent to date.

Shareholders who subscribed for the share issue at 50p per share in February 2006 will have already received a return in capital of 131 per cent. Following these capital repayments such Shareholders, who have not sold any shares in the meantime, retain a balance of 70 per cent of their initial holding.

Current trading

The Company is continuing to trade profitably.

PSG continues to benefit from an expanding marketplace and has grown both in terms of increased profits and revenues when compared to the same period last year.

Audiotel continues to focus on the improvement of its existing product range along with the development of new innovative products in order to generate new revenues in a difficult marketplace.

Moore & Buckle continues to trade broadly in line with its performance in recent years.

Effect of Cancellation

The principal effect of the Cancellation is that there will no longer be a formal market mechanism enabling Shareholders to trade their Shares on AIM or any other recognised market or trading exchange. It should be noted that the trading volume in the Shares on AIM has remained low at an average of 201,055 Shares per month over the last 12 months, representing approximately 1.04 per cent. of the Company's issued share capital. The underlying liquidity in the Shares is low and, in the opinion of the Directors, is likely to remain that way for the foreseeable future.

Shareholders should be aware that following the Cancellation the Company will no longer be bound by the AIM Rules and that, in consequence, certain previously prescribed corporate governance procedures may not be adhered to in the future and the Company will no longer be required to announce material events or transactions. However, following Cancellation, the Directors:

1. will hold an annual general meeting and, when required, other general meetings, in accordance with the applicable statutory requirements and the Articles of Association of the Company; and
2. will make available to all Shareholders an annual financial statement.

The Company intends to make available a new matched bargain trading facility for at least one year. Under this facility, Shareholders or persons wishing to trade Shares will be able to leave an indication with the Company of their willingness to buy or sell at an agreed price. In the event that the order can be matched with an opposite sell or buy instruction, both parties will be contacted and informed of the relevant details.

Shareholders who hold Shares in CREST will have to transfer their Shares into certificated form before they will be able to trade Shares.

City Code

Notwithstanding the Delisting, the Company will continue to be subject to the City Code while it remains an unlisted public company.

Under Rule 9 of the City Code, when any person or group of persons acting in concert, individually or collectively, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but do not hold shares carrying more than 50 per cent. of the voting rights of a company and such person or any person acting in concert with him acquires an interest in any other shares, which increases the percentage of the shares carrying voting rights in which he is interested, then that person or group of persons is normally required by the Panel to make a general offer in cash to all shareholders of that company at the highest price paid by them for any interest in shares in that company during the previous 12 months. Rule 9 of the City Code further provides that where any person, together

with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company to which the City Code applies and acquires additional shares which carry voting rights, then that person will not generally be required to make a general offer to the other shareholders to acquire the balance of the shares not held by that person or his concert parties.

Trading in the Shares after Cancellation

Following Cancellation, transfers of Shares may only be effected in accordance with those provisions of the Company's articles of association concerning off-market transfers of Shares in certificated form. To effect a transfer of Shares following Cancellation, and once a proposed transferee has been found, a duly executed and stamped stock transfer form must be submitted (together with the relevant share certificate(s)) to the Company's secretary at the Company's registered office for registration.

Resolution to be proposed at the General Meeting

The Cancellation is subject to Shareholders passing the following resolution: "That the admission of the ordinary shares of 20p each in the capital of the Company to trading on AIM, a market operated by London Stock Exchange plc, be cancelled and that the directors of the Company be authorised to take all steps which they consider to be necessary or desirable in order to effect such cancellation". The resolution is proposed as a special resolution of the Company requiring approval of not less than 75 per cent. of the votes cast by Shareholders at the General Meeting.

The Cancellation will occur no earlier than five clear business days after the General Meeting and it is expected that trading in the Shares on AIM will cease at the close of business on 29 December 2014, with Cancellation being effective at 7 a.m. on 30 December 2014.

Irrevocable undertakings

Irrevocable undertakings to vote in favour of the Resolution at the General Meeting have been received from Shareholders in respect of their respective beneficial holdings of, in aggregate 13,350,596 Shares, representing approximately 69.07 per cent. of the total issued share capital of the Company.

Action to be taken

A Form of Proxy for use in connection with the General Meeting is enclosed with the Delisting circular. Whether or not you intend to be present at the General Meeting in person, it is important that you duly complete, execute and return the Form of Proxy, by hand or by post, to the Company's agent, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF in accordance with the instructions printed thereon.

To be valid, a completed Form of Proxy must be executed in accordance with the instructions printed thereon and returned as soon as possible and, in any event, so as to be received by the Company's agent not later than 9 a.m. on 16 December

2014. Completion and return of a Form of Proxy will not prevent you from attending and voting at the General Meeting in person should you wish to do so.

Recommendation

The Directors consider the Resolution to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the resolution to be proposed at the General Meeting.

General Meeting and Cancellation from Trading on AIM

A notice of General Meeting will be sent to shareholders today convening a meeting at 9.30 a.m. on 18 December 2014 at 133 Ebury Street, London, SW1W 9QU. Subject to the passing of the Resolution, the delisting of the Shares from trading on AIM will take effect from 30 December 2014 and the final day upon which they will be able to be traded on AIM will be 29 December 2014.

A copy of the GM notice will be made available on the Company's website at www.srgroupplc.com.

Contacts

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