



Today's Research
Tomorrow's Products

INTERIM REPORT 2014

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corporate synopsis

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).

chairman's statement

for the six months ended 30 September 2014

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.

chairman's statement (continued)

for the six months ended 30 September 2014

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 2,000 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 £000	Share Premium £000	Capital Redemption Reserve £000	Retained Earnings £000	Total £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 2014 Unaudited £000	30 September 2013 Unaudited £000	31 March 2014 Audited £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)

consolidated statement of cash flows (continued)

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 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.

notes to the interim financial statements (continued)

for the six months ended 30 September 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

notes to the interim financial statements (continued)

for the six months ended 30 September 2014

4. segmental analysis (continued)

	Six months ended 30 September 2014 Unaudited £000	Six months ended 30 September 2013 Unaudited £000	Year ended 31 March 2014 Audited £000
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

notes to the interim financial statements (continued)

for the six months ended 30 September 2014

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



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