

2 April 2003

Restructuring and Grant of Options

The Directors are pleased to announce the completion of certain elements of the rationalisation signalled in the trading statement on 20 February 2003.

The Company has agreed to acquire sole control of its specialist demetallisation joint venture, Applied Technical Graphics, for £1 from its joint venture partner Technical Graphics Security Products LLC (TGSP). As part of this deal TGSP has been granted options to subscribe for 100,000 ordinary shares in the Company at 60p each, exercisable at any time from 1 April 2005 until 31 March 2010. The Company has also agreed to waive its entitlement to recover certain amounts from TGSP out of future profit and royalty streams. The Group will continue to license the demetallisation technology from TGSP but will be liable for a reduced royalty payment on any future sales.

The Group has merged the activities of its two UK based operating subsidiaries (Applied OpSec Limited and Optical Security Industries International plc) into one company and renamed it Applied Optical Technologies Limited.

As part of the ongoing review of costs within the Company's European operations the statutory legal entity in Germany has been put into liquidation and a sales agency agreement has been terminated.

The costs related to this restructuring will be classified as exceptional in the accounts for the year ended 31 March 2003.

-ENDS-