

2<sup>nd</sup> December 2009

**OPSEC SECURITY GROUP plc**  
 (“OpSec” or “the Group”)

**Interim results for the six months ended 30<sup>th</sup> September 2009**

OpSec Security Group plc, the supplier of anti-counterfeiting technologies and services, announces interim results for the six months ended 30<sup>th</sup> September 2009.

**Highlights**

|                                    | <b>2009</b>       | 2008      |
|------------------------------------|-------------------|-----------|
|                                    | <b>unaudited</b>  | unaudited |
| Group revenue                      | <b>£16.3m</b>     | £18.9m    |
| (Loss)/Profit before tax           | <b>(£337,000)</b> | £367,000  |
| (Loss)/Profit after tax            | <b>(£358,000)</b> | £217,000  |
| Basic earnings per share           | <b>(0.7p)</b>     | 0.4p      |
| Adjusted basic earnings per share* | <b>0.4p</b>       | 1.4p      |

\* Adjusted for the effects of share based payments and the charge for intangible amortisation (see note 8).

- Group revenue down by 14% due to general economic conditions and prior year loss of significant tax stamp contract
- Significant cost saving and rationalisation programmes put in place beginning to benefit results
- Continued success winning new brand protection customers
- Significant prospects in the ID Solutions and BNHS sectors

**David Mahony, Chairman, said:**

“Our brand protection team continues to win new customers and currently consumer spending appears stable. ID’s traditional bias towards a stronger second half is expected to be reinforced by the conversion of some of its present sales pipeline, whilst bank note and high security is expected to benefit from higher sales to Eastern Europe and a number of new business wins. Operational performance going forward will be further significantly enhanced by the benefits arising from the restructuring of US operations and increased volumes of production within our UK facilities.

As always there are difficulties in predicting the incidence of major new contracts but known volumes of potential new business and the benefits that are arising from the restructuring of our US facilities lead us currently to be confident that we will see significant improvements in our operations.”

- Ends -

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2<sup>nd</sup> December 2009

**OPSEC SECURITY GROUP plc**  
(“OpSec” or “the Group”)

**Interim results for the six months ended 30<sup>th</sup> September 2009**

**Chairman’s Statement**

In the first half of the current financial year we experienced mixed trading conditions with the first months of the period being particularly difficult. The impact of the loss last year of a Middle Eastern tax stamp contract coupled with a marked slowdown in orders by a major customer in Eastern Europe aggravated generally difficult trading in the first quarter. The second quarter was significantly more successful.

Group revenue for the six months was down by 14% to £16.3 million (2008: £18.9 million). Adjusted Operating Profit (see note 3) was reduced to £645,000 from £1,158,000 as the impact of lower revenue was partially offset by significant cost saving programmes. The result after taxation was a loss of £358,000 (2008: profit of £217,000).

Cash on the balance sheet as at 30<sup>th</sup> September 2009 amounted to £2,716,000 (2008: £2,771,000).

**Brand Protection**

This activity, the largest of our three market segments, suffered a fall in revenue in the period of 6%. Lower consumer spending, the driver of volume for many of our customers in this segment, led to reduced orders being placed with us, particularly in the first quarter. The second quarter saw a recovery and we continue to win new contracts both in the conventional and online sectors of this segment.

**ID Solutions**

Revenue in the ID solutions market grew by 4% compared to the same period in the prior year due mainly to strong ordering from the US and Canadian Governments. This segment has a historical bias towards the second half of the financial year which, coupled with a significant pipeline of potential future business, leads us to expect a strong revenue performance by this segment in the balance of the current year.

**Banknote and High Security Documents**

The loss of the Middle Eastern tax stamp programme and the marked slowdown in orders from an Eastern European customer referred to above severely impacted this segment of our business and revenue fell by 49% as compared to the same period last year. The development and capital expenditure programmes we have undertaken have benefitted both the range and the cost of the products we are able to offer and this has resulted in successful trials for significant new business being completed. This, coupled with the expected resumption of orders from Eastern Europe, leads us to expect a significantly stronger performance by this segment in the second half of the current year.

**3DCD**

The contribution from our joint venture 3DCD in the period was £114,000 compared to £261,000 in the prior year corresponding period. Royalties from our major software customer fell in the lead-up to their launch in November of a new product range and we incurred increased development costs. We have signed a new multi-year contract with that customer and this will secure the income we derive from the joint venture for the next few years.

## **Operations**

In America the combination of our two manufacturing operations onto one site has now been completed without undue disruption of supplies to our customers. This integration and the other cost saving measures which we have implemented progressively benefited the first half year and led to a 37% increase in operating profit in America despite a 13% reduction in revenue.

European operations in the period felt the full impact of the loss of business from the Middle East and the slowdown in Eastern European ordering. The second half of the year is expected to benefit from a recovery in Eastern European volumes and the impact of production orders arising from the successful trials undertaken in the first half of the year.

## **Prospects**

Our brand protection team continues to win new customers and currently consumer spending appears stable. ID's traditional bias towards a stronger second half is expected to be reinforced by the conversion of some of its present sales pipeline, whilst bank note and high security is expected to benefit from higher sales to Eastern Europe and a number of new business wins. Operational performance going forward will be further significantly enhanced by the benefits arising from the restructuring of US operations and increased volumes of production within our UK facilities.

As always there are difficulties in predicting the incidence of major new contracts but known volumes of potential new business and the benefits that are arising from the restructuring of our US facilities lead us currently to be confident that we will see significant improvements in our operations.

**DA Mahony**  
**Chairman**  
**2<sup>nd</sup> December 2009**

**OPSEC SECURITY GROUP plc**  
**Condensed Consolidated Income Statement**

|  | <b>Six months<br/>ended<br/>30-Sept-09<br/>unaudited</b> | Six months<br>ended<br>30-Sept-08<br>unaudited | Year ended<br>31-Mar-09<br>audited |
|--|--|--|------------------------------------|
|  | <b>£'000</b>   | £'000  | £'000                              |
| <b>Revenue</b>   | <b>16,287</b>  | 18,912   | 39,339                             |
| Cost of sales  | <b>(9,868)</b>   | (11,035)                                       | (23,181)                           |
| <b>Gross profit</b>  | <b>6,419</b>   | 7,877  | 16,158                             |
| Distribution and selling costs   | <b>(1,690)</b>   | (2,613)  | (4,875)                            |
| Administrative expenses  | <b>(4,418)</b>   | (4,493)  | (8,882)                            |
| Exceptional administrative expenses  | -  | -  | (857)                              |
| Intangible amortisation  | <b>(350)</b>   | (353)  | (800)                              |
| Intangible impairment  | -  | -  | (851)                              |
| Total administrative expenses  | <b>(4,768)</b>   | (4,846)  | (11,390)                           |
|  | <b>(39)</b>  | 418  | (107)                              |
| Share of profit of jointly controlled entity                                       | <b>114</b>   | 261  | 678                                |
| <b>Operating profit</b>  | <b>75</b>  | 679  | 571                                |
| Financial income   | <b>(67)</b>  | 4  | 84                                 |
| Financial expenses   | <b>(345)</b>   | (316)  | (1,436)                            |
| <b>(Loss) / Profit before income tax</b>   | <b>(337)</b>   | 367  | (781)                              |
| Income tax   | <b>(21)</b>  | (150)  | (896)                              |
| <b>(Loss) / Profit for the period attributable to equity holders of the parent</b> | <b>(358)</b>   | 217  | (1,677)                            |
| <b>Earnings per share (pence)</b>  |  |  |                                    |
| Basic eps  | <b>(0.7)</b>   | 0.4  | <b>(3.3)</b>                       |
| Diluted eps  | <b>(0.7)</b>   | 0.4  | <b>(3.3)</b>                       |

**OPSEC SECURITY GROUP plc**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the 6 months ended 30 September 2009**

|  | Share<br>Capital<br>unaudited<br>£'000 | Share<br>premium<br>unaudited<br>£'000 | Translation<br>reserve<br>unaudited<br>£'000 | Hedging<br>reserve<br>unaudited<br>£'000 | Retained<br>earnings<br>unaudited<br>£'000 | Total<br>equity<br>unaudited<br>£'000 |
|--|--|--|--|--|--|---------------------------------------|
| <b>Balance at 1 April 2009</b>   | 2,669                                  | 29,309                                 | 6,113  | (585)                                    | (5,530)                                    | 31,976                                |
| <b>Loss for the period</b>   | -                                      | -                                      | -  | -  | (358)                                      | (358)                                 |
| <b>Other comprehensive income</b>  |  |  |  |  |  |                                       |
| Foreign exchange translation differences                                   | -                                      | -                                      | (2,970)                                      | -  | -  | (2,970)                               |
| Effective portion of changes in fair value of cash flow hedges             | -                                      | -                                      | -  | 76                                       | -  | 76                                    |
| Net change in fair value of cash flow hedges transferred to profit or loss | -                                      | -                                      | -  | -  | -  | -                                     |
| Other comprehensive income/(expense) for the period, net of tax            | -                                      | -                                      | (2,970)                                      | 76                                       | -  | (2,894)                               |
| Total comprehensive income/(expense) for the period                        | -                                      | -                                      | (2,970)                                      | 76                                       | (358)                                      | (3,252)                               |
| <b>Transactions with owners recorded directly in equity</b>                |  |  |  |  |  |                                       |
| Share based payments   | -                                      | -                                      | -  | -  | 220  | 220                                   |
| Own shares sold  | -                                      | -                                      | -  | -  | 15   | 15                                    |
| Total by and distributions to owners                                       | -                                      | -                                      | -  | -  | 235  | 235                                   |
| <b>At 30 September 2009</b>  | <b>2,669</b>                           | <b>29,309</b>                          | <b>3,143</b>                                 | <b>(509)</b>                             | <b>(5,653)</b>                             | <b>28,959</b>                         |

**OPSEC SECURITY GROUP plc**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the 6 months ended 30 September 2008**

|  | Share<br>Capital<br>unaudited<br>£'000 | Share<br>premium<br>unaudited<br>£'000 | Translation<br>reserve<br>unaudited<br>£'000 | Hedging<br>reserve<br>unaudited<br>£'000 | Retained<br>earnings<br>unaudited<br>£'000 | Total<br>equity<br>unaudited<br>£'000 |
|--|--|--|--|--|--|---------------------------------------|
| <b>Balance at 1 April 2008</b>   | 2,669                                  | 29,309                                 | (1,522)                                      | -  | (3,873)                                    | 26,583                                |
| <b>Profit for the period</b>   | -                                      | -                                      | -  | -  | 217  | 217                                   |
| <b>Other comprehensive income</b>  |  |  |  |  |  |                                       |
| Foreign exchange translation differences                                   | -                                      | -                                      | 2,248  | -  | -  | 2,248                                 |
| Effective portion of changes in fair value of cash flow hedges             | -                                      | -                                      | -  | -  | -  | -                                     |
| Net change in fair value of cash flow hedges transferred to profit or loss | -                                      | -                                      | -  | -  | -  | -                                     |
| Other comprehensive income/(expense) for the period, net of tax            | -                                      | -                                      | 2,248  | -  | -  | 2,248                                 |
| Total comprehensive income/(expense) for the period                        | -                                      | -                                      | 2,248  | -  | 217  | 2,465                                 |
| <b>Transactions with owners recorded directly in equity</b>                |  |  |  |  |  |                                       |
| Share based payments   | -                                      | -                                      | -  | -  | 126  | 126                                   |
| Own shares sold  | -                                      | -                                      | -  | -  | 83   | 83                                    |
| Own shares purchased   | -                                      | -                                      | -  | -  | (61)                                       | (61)                                  |
| Total by and distributions to owners                                       | -                                      | -                                      | -  | -  | 148  | 148                                   |
| <b>At 30 September 2008</b>  | <b>2,669</b>                           | <b>29,309</b>                          | <b>726</b>                                   | <b>-</b>                                 | <b>(3,508)</b>                             | <b>29,196</b>                         |

**OPSEC SECURITY GROUP plc**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the year ended 31 March 2009**

|  | Share<br>Capital<br>audited<br>£'000 | Share<br>premium<br>audited<br>£'000 | Translation<br>reserve<br>audited<br>£'000 | Hedging<br>reserve<br>audited<br>£'000 | Retained<br>earnings<br>audited<br>£'000 | Total<br>equity<br>audited<br>£'000 |
|--|--------------------------------------|--------------------------------------|--|--|--|-------------------------------------|
| <b>Balance at 1 April 2008</b>   | 2,669                                | 29,309                               | (1,522)                                    | -                                      | (3,873)                                  | 26,583                              |
| <b>Loss for the period</b>   | -                                    | -                                    | -  | -                                      | (1,677)                                  | (1,677)                             |
| <b>Other comprehensive income</b>  |                                      |                                      |  |  |  |                                     |
| Foreign exchange translation differences                                   | -                                    | -                                    | 7,635                                      | -                                      | -  | 7,635                               |
| Effective portion of changes in fair value of cash flow hedges             | -                                    | -                                    | -  | (628)                                  | -  | (628)                               |
| Net change in fair value of cash flow hedges transferred to profit or loss | -                                    | -                                    | -  | 43                                     | -  | 43                                  |
| Other comprehensive income/(expense) for the period, net of tax            | -                                    | -                                    | 7,635                                      | (585)                                  | -  | 7,050                               |
| Total comprehensive income/(expense) for the period                        | -                                    | -                                    | 7,635                                      | (585)                                  | (1,677)                                  | 5,373                               |
| <b>Transactions with owners recorded directly in equity</b>                |                                      |                                      |  |  |  |                                     |
| Share based payments   | -                                    | -                                    | -  | -                                      | (2)                                      | (2)                                 |
| Own shares sold  | -                                    | -                                    | -  | -                                      | 83                                       | 83                                  |
| Own shares purchased   | -                                    | -                                    | -  | -                                      | (61)                                     | (61)                                |
| Total by and distributions to owners                                       | -                                    | -                                    | -  | -                                      | 20                                       | 20                                  |
| <b>At 31 March 2009</b>  | <b>2,669</b>                         | <b>29,309</b>                        | <b>6,113</b>                               | <b>(585)</b>                           | <b>(5,530)</b>                           | <b>31,976</b>                       |

**OPSEC SECURITY GROUP plc**  
**Consolidated Balance Sheet**

|  | <b>30-Sept-09</b><br>unaudited | 30-Sep-08<br>unaudited | 31-Mar-09<br>audited |
|--|--------------------------------|------------------------|----------------------|
|  | £'000                          | £'000                  | £'000                |
| <b>ASSETS</b>  |                                |                        |                      |
| <b>Non-current assets</b>  |                                |                        |                      |
| Property, plant and equipment                                    | 10,039                         | 10,619                 | 11,633               |
| Intangible assets  | 26,484                         | 24,017                 | 28,609               |
| Investment in jointly controlled entity                          | 274                            | 421                    | 530                  |
| Other investments  | 17                             | 18                     | 18                   |
| Deferred tax assets  | 4,070                          | 5,266                  | 4,347                |
| <b>Total non-current assets</b>                                  | <b>40,884</b>                  | <b>40,341</b>          | <b>45,137</b>        |
| <b>Current assets</b>  |                                |                        |                      |
| Inventory  | 2,691                          | 4,026                  | 3,868                |
| Trade and other receivables                                      | 7,069                          | 8,853                  | 7,517                |
| Cash and cash equivalents  | 2,716                          | 2,771                  | 4,244                |
| <b>Total current assets</b>                                      | <b>12,476</b>                  | <b>15,650</b>          | <b>15,629</b>        |
| <b>Total assets</b>  | <b>53,360</b>                  | <b>55,991</b>          | <b>60,766</b>        |
| <b>LIABILITIES</b>   |                                |                        |                      |
| <b>Current liabilities</b>                                       |                                |                        |                      |
| Interest-bearing loans and borrowings                            | (1,391)                        | (829)                  | (1,249)              |
| Deferred government grants                                       | (51)                           | (20)                   | (20)                 |
| Provisions   | (232)                          | -                      | (536)                |
| Income tax payable   | (344)                          | (368)                  | (252)                |
| Trade and other payables   | (10,975)                       | (15,310)               | (13,922)             |
| <b>Total current liabilities</b>                                 | <b>(12,993)</b>                | <b>(16,527)</b>        | <b>(15,979)</b>      |
| <b>Non-current liabilities</b>                                   |                                |                        |                      |
| Interest-bearing loans and borrowings                            | (10,356)                       | (10,099)               | (11,787)             |
| Deferred government grants                                       | (213)                          | (169)                  | (159)                |
| Derivative financial instruments                                 | (509)                          | -                      | (585)                |
| Deferred tax liabilities   | (330)                          | -                      | (280)                |
| <b>Total non-current liabilities</b>                             | <b>(11,408)</b>                | <b>(10,268)</b>        | <b>(12,811)</b>      |
| <b>Total liabilities</b>   | <b>(24,401)</b>                | <b>(26,795)</b>        | <b>(28,790)</b>      |
| <b>Net assets</b>  | <b>28,959</b>                  | <b>29,196</b>          | <b>31,976</b>        |
| <b>EQUITY</b>  |                                |                        |                      |
| <b>Capital and reserves</b>                                      |                                |                        |                      |
| Issued capital   | 2,669                          | 2,669                  | 2,669                |
| Share premium  | 29,309                         | 29,309                 | 29,309               |
| Translation reserve  | 3,143                          | 726                    | 6,113                |
| Hedging reserve  | (509)                          | -                      | (585)                |
| Retained earnings  | (5,653)                        | (3,508)                | (5,530)              |
| <b>Total equity attributable to equity holders of the parent</b> | <b>28,959</b>                  | <b>29,196</b>          | <b>31,976</b>        |

**OPSEC SECURITY GROUP plc**  
**Condensed Consolidated Statement of Cash Flows**

|   | <b>Six months<br/>ended<br/>30-Sept-09<br/>unaudited<br/>£'000</b> | Six months<br>ended<br>30-Sept-08<br>unaudited<br>£'000 | Year ended<br>31-Mar-09<br>audited<br>£'000 |
|---|--|---|---|
| <b>Cash flows from operating activities</b>                                 |  |   |   |
| (Loss)/Profit for the year  | <b>(358)</b>   | 217   | (1,677)                                     |
| Depreciation  | <b>1,025</b>   | 766   | 1,764                                       |
| Amortisation/impairment of intangible assets                                | <b>350</b>   | 353   | 1,651                                       |
| Release of government grants  | <b>22</b>  | (10)  | (20)  |
| Equity settled share based expense  | <b>220</b>   | 126   | (2)   |
| Share of profit of jointly controlled entities                              | <b>(114)</b>   | (261)   | (678)                                       |
| Finance income  | <b>67</b>  | (4)   | (84)  |
| Finance expenses  | <b>345</b>   | 316   | 1,436                                       |
| Income tax expense  | <b>21</b>  | 150   | 896   |
| Movement in inventory   | <b>798</b>   | (95)  | 892   |
| Movement in trade and other receivables                                     | <b>(14)</b>  | (946)   | 493   |
| Movement in trade and other payables  | <b>(1,481)</b>   | 543   | 469   |
| <b>Cash flows from operating activities</b>                                 | <b>881</b>   | 1,155   | 5,140                                       |
| Interest paid   | <b>(359)</b>   | (999)   | (1,436)                                     |
| Income tax paid - overseas  | <b>(79)</b>  | (22)  | (175)                                       |
| <b>Net cash inflow from operating activities</b>                            | <b>443</b>   | 134   | 3,529                                       |
| <b>Cash flows from investing activities</b>                                 |  |   |   |
| Acquisition of subsidiary undertaking (net of cash acquired) <sup>(1)</sup> | <b>(1,777)</b>   | (6,000)   | (7,948)                                     |
| Acquisition of property, plant and equipment                                | <b>(374)</b>   | (1,964)   | (2,340)                                     |
| Proceeds from sale of investment  | <b>1</b>   | -   | -   |
| Proceeds from government grants   | <b>-</b>   | -   | -   |
| Dividends received from jointly controlled entity                           | <b>310</b>   | 274   | 705   |
| Interest received   | <b>(67)</b>  | 4   | 84  |
| <b>Net cash outflow from investing activities</b>                           | <b>(1,907)</b>   | (7,686)   | (9,499)                                     |
| <b>Cash flows from financing activities</b>                                 |  |   |   |
| Payment of finance lease liabilities  | <b>(103)</b>   | -   | (58)  |
| Drawdown of borrowings  | <b>199</b>   | 9,122   | 12,008                                      |
| Repayment of borrowings   | <b>-</b>   | -   | (3,049)                                     |
| Proceeds from sale of own shares  | <b>16</b>  | 83  | 83  |
| Purchase of own shares  | <b>-</b>   | (61)  | (61)  |
| <b>Net cash inflow from financing activities</b>                            | <b>112</b>   | 9,144   | 8,923                                       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                 | <b>(1,352)</b>   | 1,592   | 2,953                                       |
| Cash and cash equivalents at the start of the period                        | <b>4,244</b>   | 793   | 793   |
| Effect of exchange rate fluctuations on cash                                | <b>(176)</b>   | 386   | 498   |
| <b>Cash and cash equivalents at the end of the period</b>                   | <b>2,716</b>   | 2,771   | 4,244                                       |

(1) The acquisition of subsidiary undertakings number in the six months ended 30<sup>th</sup> September 2009 represents deferred earn out payments

**OpSec Security Group plc**  
**Notes to the Interim Statement**

**1. Basis of preparation**

This interim financial information has been prepared applying the accounting policies that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31<sup>st</sup> March 2009.

From 1<sup>st</sup> April 2009 the following standards, amendments and interpretations became effective and were adopted by the Group:

IFRS 8: *Operating Segments*

Amendments to IAS 23: *Borrowing Costs*

Amendments to IFRS 2: *Share Based Payments*

Amendments to IAS 1: *Presentation of financial statements*

IFRIC 16: *Hedges of Net Investment in a Foreign Operation*

The adoption of the above has not had a significant impact on the Group's results or equity.

IFRS 8 'Operating Segments' requires segments to be reported on the same basis as the internal reporting that is provided to, and regularly reviewed, by the chief operating decision maker of the Group. The Board has reviewed the requirements of IFRS 8, including consideration of what results it reviews regularly to assess performance and make decisions about how resources are allocated, and have concluded that, as under IAS 14, the Group's reportable segments remain geographical.

While the Board manages the business by geography we communicate externally by business segment and continue to provide additional information by business segment as included in note 3.

**2. Status of financial information**

The interim information for the six months ended 30<sup>th</sup> September 2009 has not been audited or reviewed by the auditors.

The comparative figures for the year ended 31<sup>st</sup> March 2009 are not the Company's statutory financial statements for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The interim report has been sent to all shareholders. Further copies are available to members of the public from the Company's registered office, 40 Phoenix Road, Crowther, District 3, Washington, Tyne & Wear, NE38 0AD. The interim report is also available on the Company's website, [www.opsecsecurity.com](http://www.opsecsecurity.com).

**OpSec Security Group plc**  
**Notes to the Interim Statement**

| <b>3. Segment Information</b>                             | <b>Six months<br/>ended<br/>30-Sep-09<br/>unaudited</b> | <b>Six months<br/>ended<br/>30-Sep-08<br/>unaudited</b> | <b>Year ended<br/>31-Mar-09<br/>audited</b> |
|---|---|---|---|
|   | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>                                |
| <b>a) Revenue by geographic segment</b>                   |   |   |   |
| American operations                                       | <b>10,304</b>   | 9,880   | 22,230                                      |
| European operations                                       | <b>6,561</b>  | 9,781   | 18,873                                      |
| Intersegment sales  | <b>(578)</b>  | (749)   | (1,764)                                     |
|   | <b><u>16,287</u></b>                                    | <u>18,912</u>   | <u>39,339</u>                               |
| <b>b) Revenue by market sector</b>                        |   |   |   |
| Banknote and High Security Documents                      | <b>2,162</b>  | 4,240   | 8,516                                       |
| Brand Protection  | <b>10,524</b>   | 11,194  | 22,568                                      |
| ID Solutions  | <b>3,601</b>  | 3,478   | 8,255                                       |
|   | <b><u>16,287</u></b>                                    | <u>18,912</u>   | <u>39,339</u>                               |
| <b>c) Operating profit by geographic segment</b>          |   |   |   |
| American operations                                       | <b>828</b>  | 518   | 624   |
| European operations                                       | <b>639</b>  | 1,399   | 1,177                                       |
| Jointly Controlled Entity                                 | <b>114</b>  | 261   | 678   |
| Corporate costs   | <b>(1,506)</b>  | (1,499)   | (1,908)                                     |
| <b>Operating profit</b>                                   | <b>75</b>   | 679   | 571   |
| Exclude exceptional administrative expenses               | -   | -   | 857   |
| Exclude intangible amortisation                           | <b>350</b>  | 353   | 800   |
| Exclude intangible impairment                             | -   | -   | 851   |
| Exclude equity settled share based payments               | <b>220</b>  | 126   | (2)   |
| <b>Adjusted operating profit</b>                          | <b><u>645</u></b>                                       | <u>1,158</u>  | <u>3,077</u>                                |
| <b>d) Adjusted operating profit by geographic segment</b> |   |   |   |
|   | <b>Six months<br/>ended<br/>30-Sep-09<br/>unaudited</b> | <b>Six months<br/>ended<br/>30-Sep-08<br/>unaudited</b> | <b>Year ended<br/>31-Mar-09<br/>audited</b> |
| American operations                                       | <b>828</b>  | 518   | 1,550                                       |
| European operations                                       | <b>639</b>  | 1,399   | 2,759                                       |
| Jointly Controlled Entity                                 | <b>114</b>  | 261   | 678   |
| Corporate costs   | <b>(936)</b>  | (1,020)   | (1,910)                                     |
| <b>Adjusted operating profit</b>                          | <b><u>645</u></b>                                       | <u>1,158</u>  | <u>3,077</u>                                |

**OpSec Security Group plc**  
**Notes to the Interim Statement**

**4. Operating expenses**

|                                       | <b>Six months<br/>ended<br/>30-Sep-09<br/>unaudited</b> | Six months<br>ended<br>30-Sep-08<br>unaudited | Year ended<br>31-Mar-09<br>audited |
|---------------------------------------|---|---|------------------------------------|
|                                       | <b>£'000</b>  | £'000   | £'000                              |
| <i>Distribution and Selling Costs</i> |   |   |                                    |
| Selling and marketing costs           | <u>1,690</u>  | <u>2,613</u>                                  | <u>4,875</u>                       |
| <i>Administrative Expenses</i>        |   |   |                                    |
| Technical support                     | 498   | 476   | 1,022                              |
| Research and development costs        | 840   | 880   | 1,928                              |
| Administrative expenses               | 3,080   | 3,137   | 5,932                              |
| Exceptional administrative expenses   | -   | -   | 857                                |
| Intangible amortisation               | 350   | 353   | 800                                |
| Intangible impairment                 | -   | -   | 851                                |
|                                       | <u>4,768</u>  | <u>4,846</u>                                  | <u>11,390</u>                      |
| <i>Total Operating Expenses</i>       | <u>6,458</u>  | <u>7,459</u>                                  | <u>16,265</u>                      |

**5. Share of operating profit of jointly controlled entity**

The share of operating profit of joint ventures represents the Group's share of the results of 3dcd for the six months ended 30<sup>th</sup> September 2009. The operating profit of 3dcd is subject to taxation in the accounts of its partners.

**OpSec Security Group plc**  
**Notes to the Interim Statement**

**6. Finance income and expense**

|  | <b>Six months<br/>ended<br/>30-Sep-09<br/>unaudited</b> | Six months<br>ended<br>30-Sep-08<br>unaudited | Year ended<br>31-Mar-09<br>audited |
|--|---|---|------------------------------------|
|  | <b>£'000</b>  | £'000   | £'000                              |
| <i>Financial income</i>  |   |   |                                    |
| Interest income  | 4   | -   | 25                                 |
| Foreign exchange gains on foreign currency deposits                  | (71)  | 4   | 59                                 |
|  | <u>(67)</u>   | <u>4</u>                                      | <u>84</u>                          |
| <i>Financial expenses</i>  |   |   |                                    |
| Interest expense   | (309)   | (263)   | (758)                              |
| Net change in fair value of cash flow hedges transferred from equity | -   | -   | (43)                               |
| Amortisation of bank fees  | (38)  | (53)  | -                                  |
| Exceptional cost of debt advisor fees written off                    | -   | -   | (635)                              |
| Foreign exchange gains on foreign currency borrowings                | 2   | -   | -                                  |
|  | <u>(345)</u>  | <u>(316)</u>                                  | <u>(1,436)</u>                     |

**7. Taxation**

The charge for taxation is calculated by applying the Directors, best estimate of the annual effective tax rate to the profit/(loss) for the period.

**8. Earnings per share**

The calculations of earnings per share are based upon the following earnings and numbers of shares.

|  | <b>Six months ended<br/>30-Sep-09<br/>unaudited</b> | Six months<br>ended<br>30-Sep-08<br>unaudited | Year ended<br>31-Mar-09<br>audited |
|--|---|---|------------------------------------|
|  | <b>£'000</b>  | £'000   | £'000                              |
| <i>Earnings</i>                            |   |   |                                    |
| Earnings for the financial period          | (358)   | 217   | (1,677)                            |
| Exceptional costs                          | -   | -   | 1,492                              |
| Intangible amortisation                    | 350   | 353   | 800                                |
| Intangible impairment                      | -   | -   | 851                                |
| Share-based payments                       | 220   | 126   | (2)                                |
| Adjusted earnings for the financial period | <u>212</u>  | <u>696</u>                                    | <u>1,464</u>                       |
| <i>Weighted average number of shares</i>   |   |   |                                    |
|  | <b>No. of<br/>shares</b>                            | No. of<br>shares                              | No. of<br>shares                   |
| For Basic earnings per share               | 51,015,602  | 50,388,803                                    | 50,634,466                         |
| Effect of share options and other awards   | 1,551,485   | 4,480,951                                     | 2,946,502                          |
| For Diluted earnings per share             | <u>52,567,087</u>                                   | <u>54,869,754</u>                             | <u>53,580,968</u>                  |