



# Annual Results

## March 2008

Acquisition of Light Impressions  
Acquisition of P4M

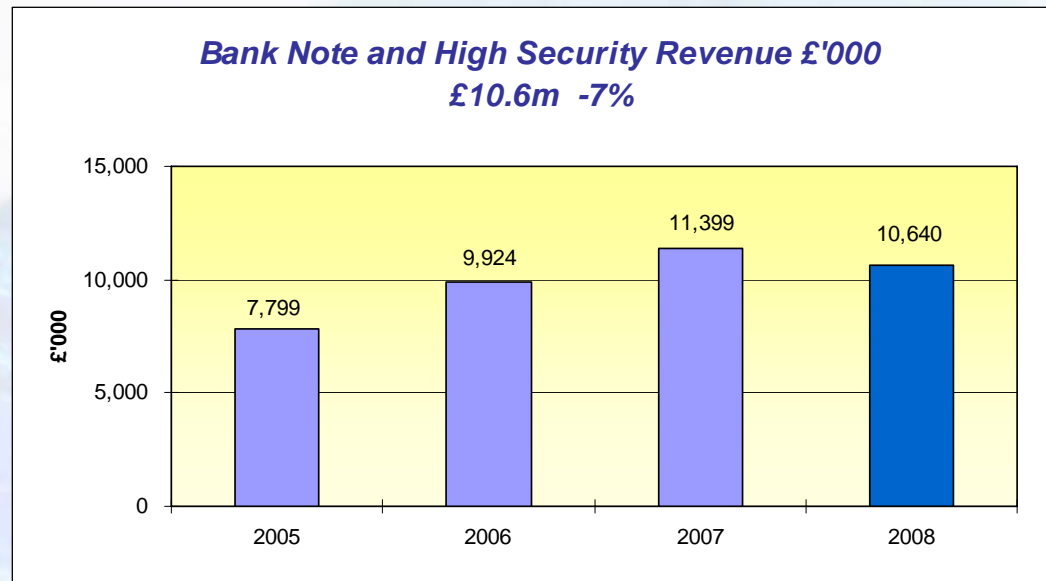
# Highlights

- *Year of further progress for the Group and results broadly in line with expectations;*
- *Revenue in the Brand Protection market at record levels with significant new contract wins;*
- *Group revenues reflect the benefit of new customers offset by slower ordering from some major customers and further decline in the dollar exchange rate;*
- *The lower operating profit primarily reflects the expected reduction in 3dcd contribution following its exceptional performance in the preceding year;*
- *Successful completion of major capital projects in both the European and American operations;*
- *New funding line of £19m secured with The Royal Bank of Scotland to help finance future organic growth and acquisitions;*
- *Acquisition of Light Impressions International Limited and P4M GmbH completed post year end.*

# Group Turnover

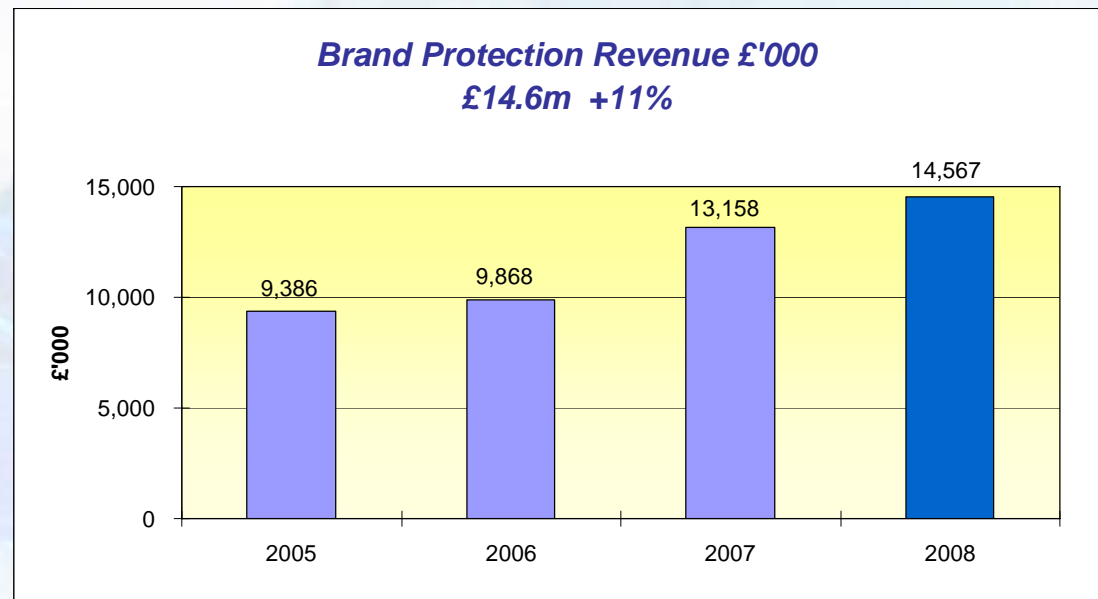
	<b>2008</b> <b>£'000</b>	<b>2007</b> <b>£'000</b>	<b>Increase</b> <b>%</b>
Banknote and High Security Documents	10,640	11,399	(7%)
Brand Protection	14,567	13,158	11%
ID Solutions	7,802	8,577	(9%)
	<b>33,009</b>	<b>33,134</b>	<b>0%</b>

# Bank Note & High Security Documents



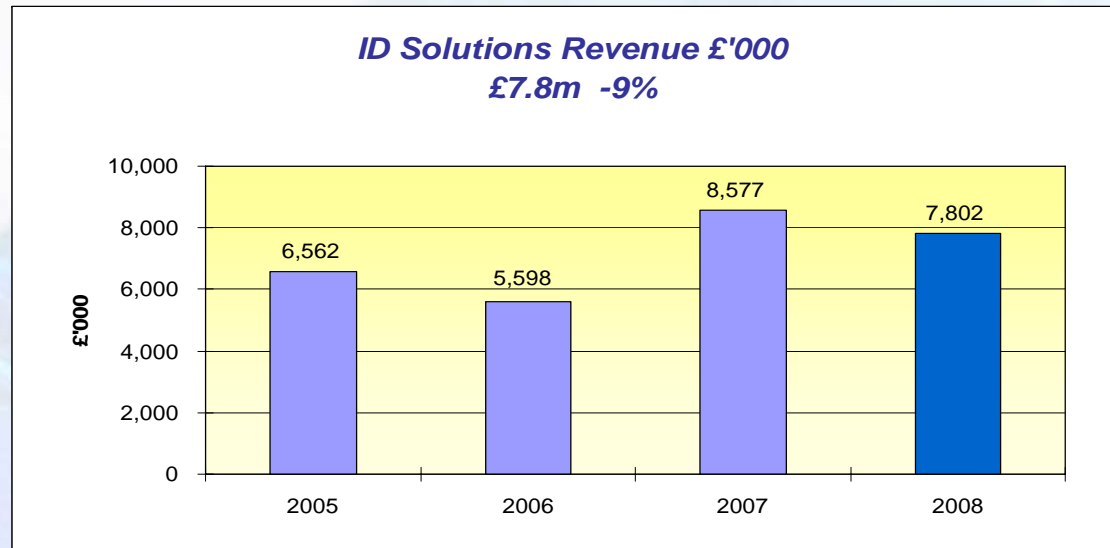
- Turnover down by 7%
- Slow down in ordering from two major customers
- Small gains in excise/tax stamp market
- New manufacturing capability in the UK should facilitate broadening of customer base

# Brand Protection



- Turnover up by 11%
- Significant new contract wins – CLPA, Kyocera
- Major additional programs and cross-selling success with existing customers

# ID Solutions

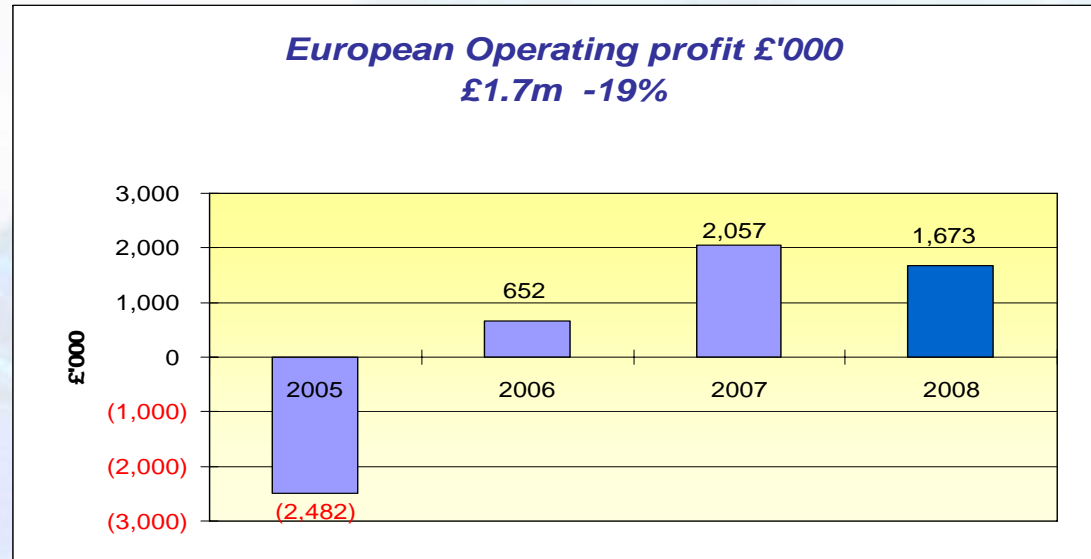


- Sales decreased by 9%
- Slow down in ordering from a number of major government customers
- Successful ramp up of two Asian passport programs
- Approved significant investment in card manufacturing plant as part of overall global ID Solutions strategy

## Group Operating Profit

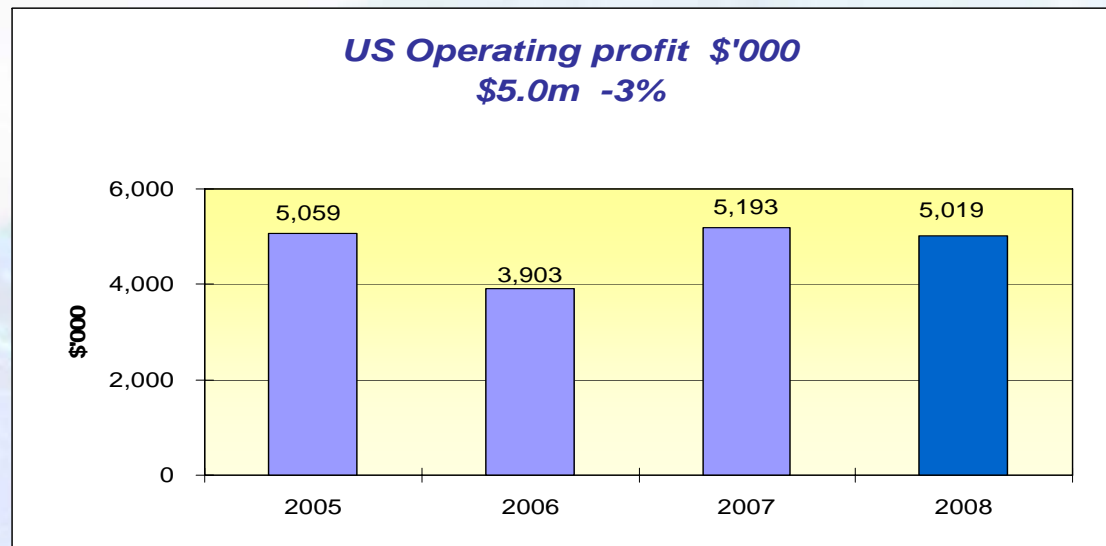
	<b>2008</b>	<b>2007</b>	<b>Movement</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
American Operations	2,501	2,696	(195)
European Operations	1,673	2,057	(384)
3dcd	884	3,298	(2,414)
Corporate costs	<u>(1,430)</u>	<u>(2,206)</u>	<u>776</u>
Adjusted Operating Profit	3,628	5,845	(2,217)
Goodwill/share based payments	(915)	(522)	(393)
Operating Profit	<b>2,713</b>	<b>5,323</b>	<b>(2,610)</b>

# European Operations



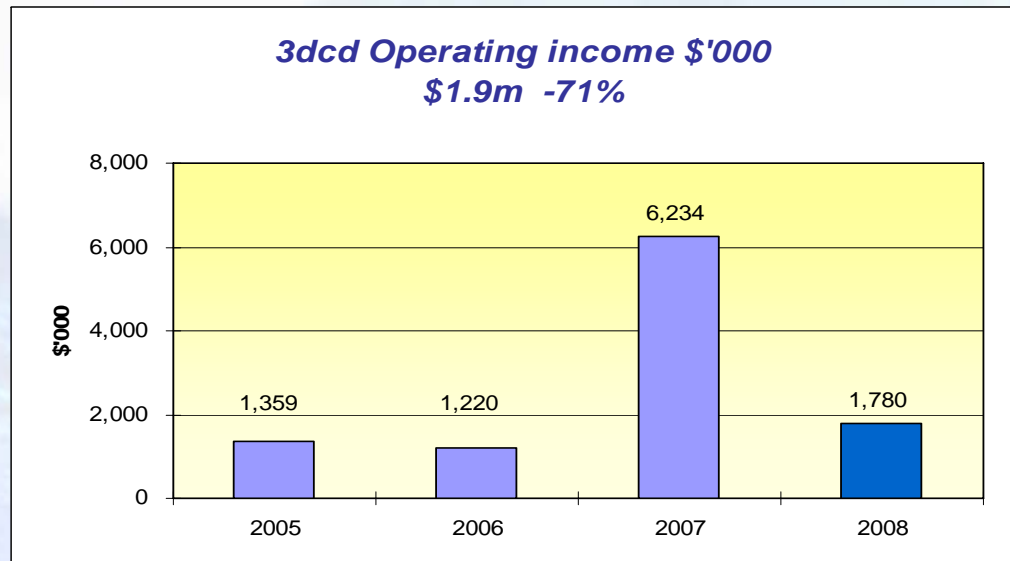
- Turnover fell by 4% due to slow down in ordering of major government customers
- Gross margins decreased from 38% to 37% as a result of lower volumes
- Operating profit down by 19% demonstrating the high operational gearing
- Significant investment in manufacturing capabilities

# American Operations



- Turnover growth of 7% as gains in the brand protection market were partially offset by lower government sales
- Gross margins increased from 44% to 43% due to changes in product mix and the cost of investment in additional capacity to meet future increases in demand
- Overheads increased by 6% reflecting significant investments in marketing and R&D
- Operating profit down by 3%

# 3dcd



- Anticipated reduction in contribution following exceptional contribution in prior year
- Contribution ahead of expectations
- Significant investment in the next generation technology

# Corporate Costs



- Covers all centrally controlled costs including; legal, intellectual property, public company costs and management incentive schemes
- Significant decrease in patent costs and management bonuses
- Includes costs associated with an aborted acquisition of £235,000

# Cash Flow Statement

- Net cash inflow from operating activities of £0.9 million (2007: £3.7 million)
- Net cash at end of period of £0.8 million (2007: £3.1 million)
- Capital expenditure of £3.2 million (2007: £3.7 million)
- Purchase of own shares of £1.3 million (2007: £0.7 million)
- New funding line of £19 million signed with RBS post year end

## Acquisition of Light Impressions

- The acquisition of Light Impressions successfully completed in April 2008
- Early integration efforts have gone to plan
- Gives OpSec access to the tobacco market in Asia
- Expected to be accretive in the current year

## Acquisition of P4M

- The acquisition of P4M successfully completed in May 2008
- Early integration efforts have gone to plan
- Significant cross-selling opportunities
- Expected to be marginally accretive in the current year

# Outlook

- Banknote and High Security Documents
- Brand Protection
- ID Solutions
- 3dcd
- Acquisitions
- Risks