



Annual Results

March 2009



Highlights

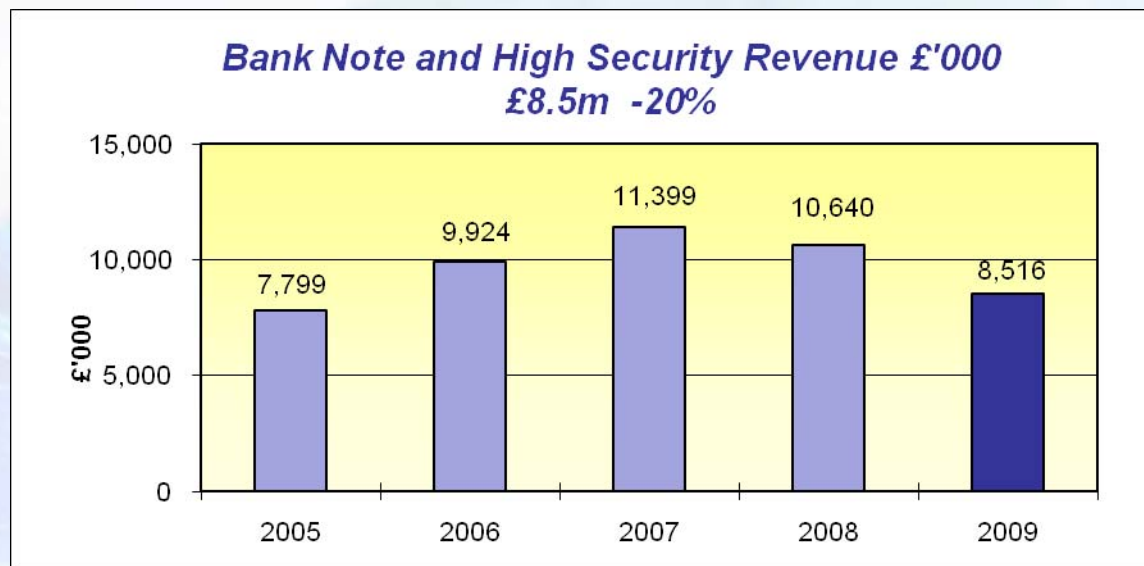
- Successful integration of two acquisitions – Light Impressions and P4M;
- Group revenue increased by 19% to £39.3 million (decreased by 1% excluding acquisitions) with adjusted operating profits down to £3.1 million;
- The lower operating profit reflects the impact of global economic conditions, which resulted in an unprecedented reduction in the consumer Brand Protection volumes in the last quarter of the year;
- Net cash inflow from operating activities improved to £3.5 million (2008: £0.9 million);
- Significant cost saving measures have been implemented which will benefit the year ending 31st March 2010;
- New banking arrangements secured with The Royal Bank of Scotland.

Group Turnover

| | 2009 £'000 | 2008 £'000 | Increase % |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Banknote and High Security Documents | 8,516 | 10,640 | (20%) |
| Brand Protection | 22,568 | 14,567 | 55% |
| ID Solutions | 8,255 | 7,802 | 6% |
| | 39,339 | 33,009 | 19% |

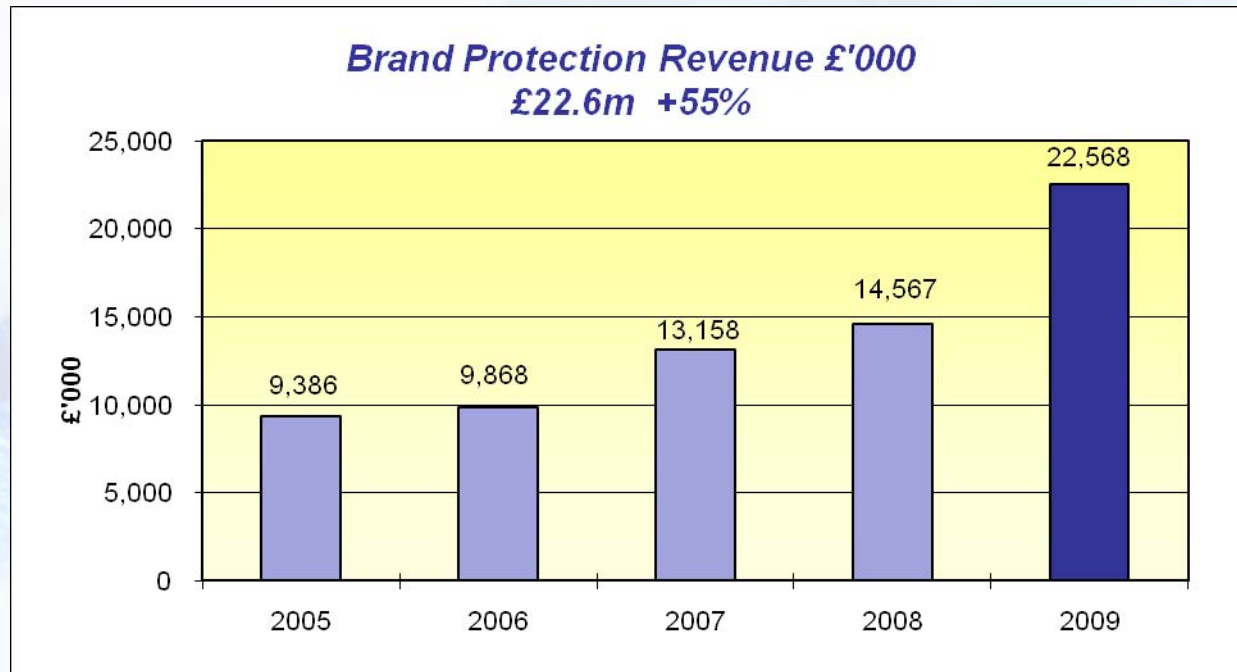
Note that the average dollar exchange rate during FY 2009 was 1.7 (FY2008: 2.0)

Bank Note & High Security Documents



- Turnover down by 20%
- Loss of tax stamp customer in Middle East
- Strong sales to Russia
- New manufacturing capability and marketing efforts should facilitate broadening of customer base

Brand Protection



- Turnover up by 55%; 9% excluding acquisitions
- Additional programs and cross-selling success with existing customers
- Contract extensions secured with seven major accounts
- Global economic conditions impacted the later part of the year

ID Solutions

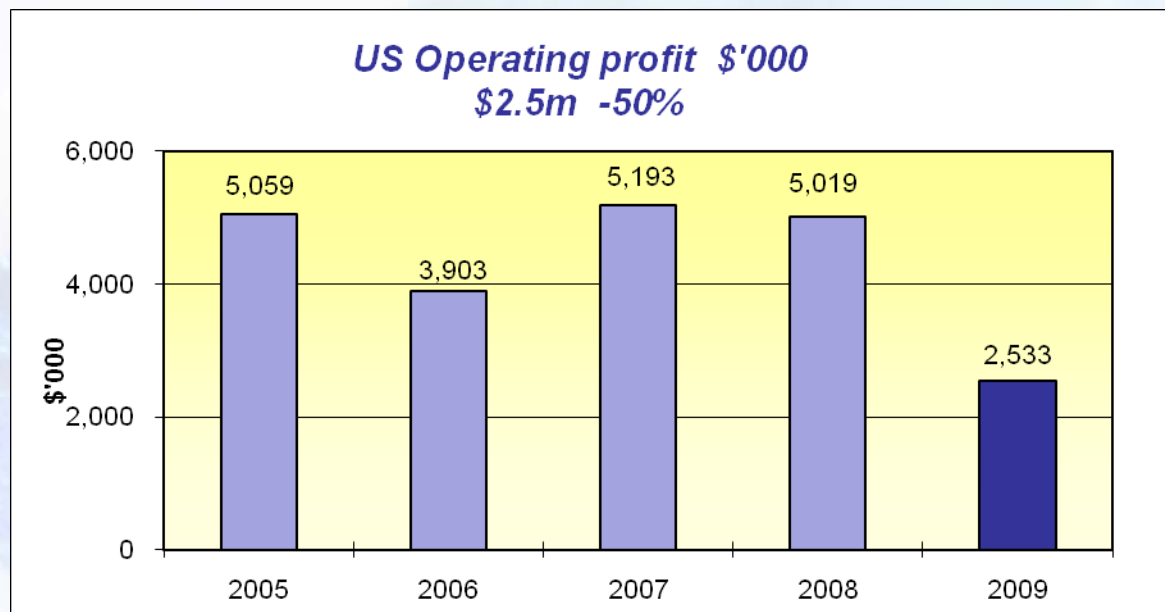


- Sales increased by 6%
- Impact of major new programs offset by prior year loss of one customer and slow down in ordering of two major government customers
- Card manufacturing plant and product re-development now complete

Group Operating Profit

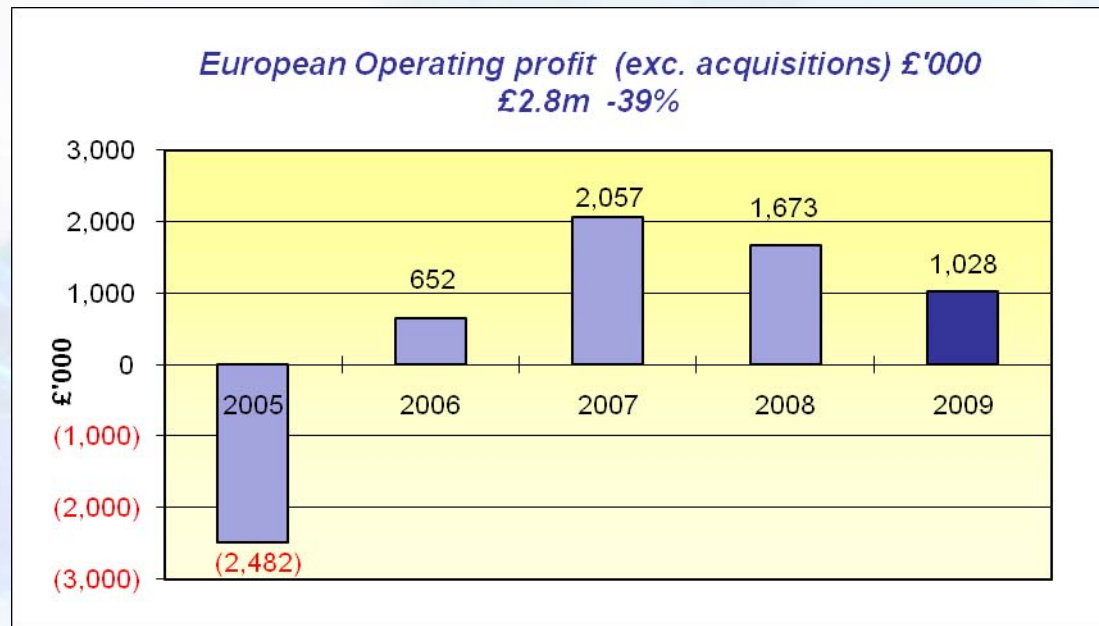
| | 2009 | 2008 | Movement |
|---------------------------|--------------|--------------|-----------------|
| | £'000 | £'000 | £'000 |
| American Operations | 1,550 | 2,501 | (951) |
| European Operations | 1,028 | 1,673 | (645) |
| Light Impressions | 843 | - | 843 |
| P4M | 888 | - | 888 |
| 3dcd | 678 | 884 | (206) |
| Corporate Costs | (1,910) | (1,430) | (480) |
| Adjusted Operating Profit | 3,077 | 3,628 | (551) |
| Goodwill/SBP/Exceptionals | (2,506) | (915) | (1,591) |
| Operating Profit | 571 | 2,713 | (2,142) |

American Operations



- Turnover shrinkage of 6% as sales to the brand protection market were impacted by global economic conditions
- Gross margins decreased from 43% to 39% due to investment in additional capacity to meet anticipated increases in demand
- Overheads increased by 2% reflecting continued investment in R&D

European Operations



- Turnover fell by 19% due primarily to loss of Middle Eastern tax stamp contract
- Gross margins increased from 37% to 38% as a result of efficiency savings and improved sales mix
- Overheads reduced by 8%

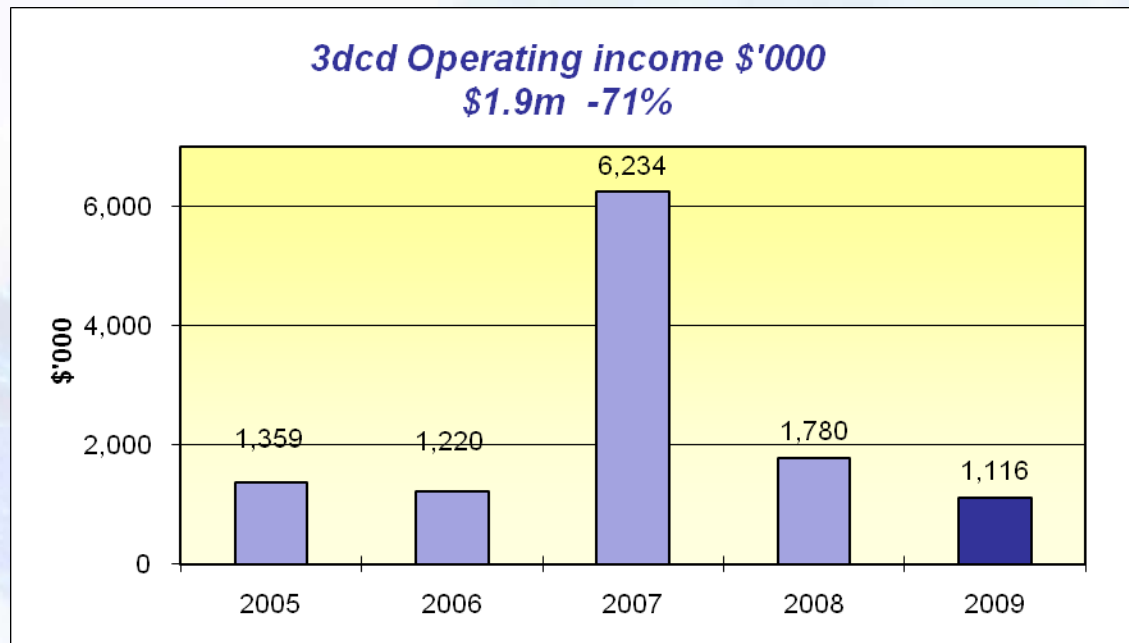
Light Impressions

- Acquisition completed in April 2008
- Integration efforts have gone to plan
- Turnover during the year of £4 million and operating profit of £843,000
- Loss of major customer during the year
- Total cost of investment £4.9 million

Acquisition of P4M

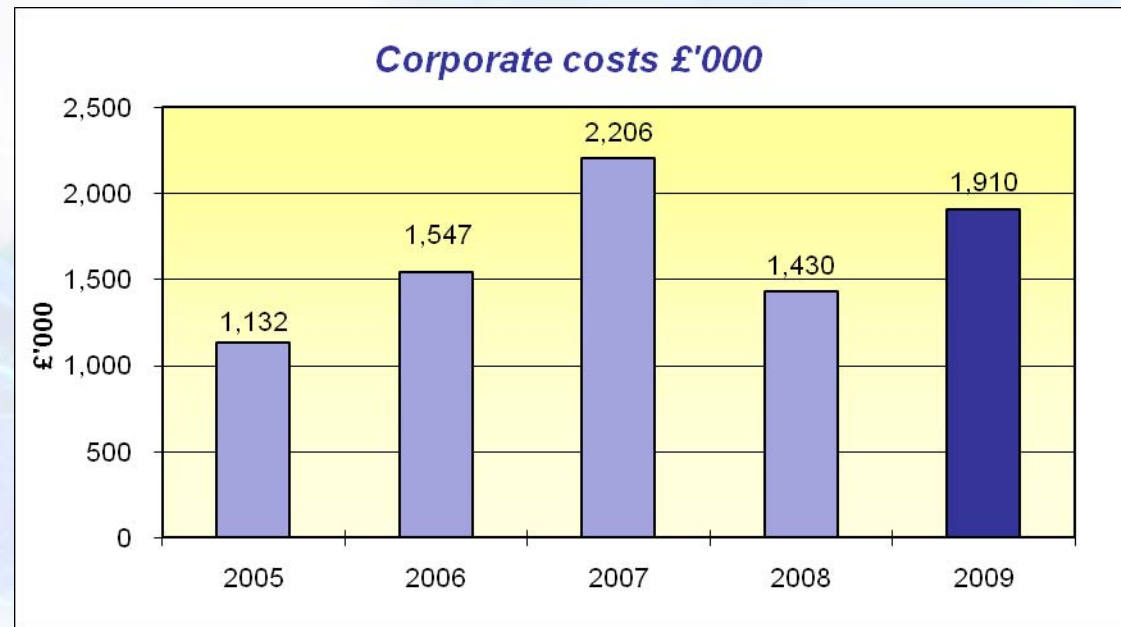
- Acquisition completed in May 2008
- Integration efforts have gone to plan
- Turnover during the 11 months of £2.6 million and operating profit of £888,000
- Total cost of investment £8.3 million

3dcd



- Contribution in line with expectations
- Agreement reached with major customer for a contract extension based upon new technology

Corporate Costs



- Covers all centrally controlled costs including; legal, intellectual property, public company costs and management incentive schemes
- Impacted by the stronger dollar
- Cost of the new Chief Manufacturing Officer
- Prior year included the release of a number of provisions and the costs associated with an aborted acquisition of £235,000

Goodwill/Share Based Payments/Exceptionals

| | 2009 £'000 | 2008 £'000 | Movement £'000 |
|-------------------------|-----------------------------|-----------------------------|---------------------------------|
| Share based payments | 2 | (789) | 791 |
| Goodwill amortisation | (800) | (126) | (674) |
| Goodwill impairment | (851) | - | (851) |
| Exceptional items | (857) | - | (857) |
| Operating Profit | (2,506) | (915) | (1,591) |

- Share based payment credit due to non-achievement of performance conditions
- Goodwill amortisation increased due to the acquisitions of Light Impressions and P4M
- Goodwill impairment in Light Impressions of £851,000 due to loss of a major customer
- Exceptional items represent restructuring costs

Cash Flow Statement

- Net cash inflow from operating activities of £3.5 million (2008: £0.9 million)
- Net cash at end of period of £4.2 million (2008: £0.8 million)
- Purchase of subsidiaries of £9.0 million
- Capital expenditure of £2.3 million (2008: £3.2 million)
- Net increase in borrowings of £9.0 million
- New facilities agreed with RBS post year end

Outlook

- Banknote and High Security Documents
- Brand Protection
- ID Solutions
- 3dcd
- Light Impressions
- P4M
- Impact of cost reduction efforts