



INTERIM RESULTS

September 2004

Presented by

Mark Turnage – Chief Executive
Mike Angus – Finance Director

– Highlights

- Continuing poor operating performance by the European operations
- Board has announced the decision to exit the loss making parts of the European operations
- American operations and 3DCD continue to perform ahead of expectations
- Net cash inflow from operations of £496,000 (2003: £730,000)
- Cash at bank and in hand of £1.4 million (2003: £2.5 million)
- Recent sale and partial lease back of property at Grove Park for £3.75 million strengthens the cash position

– Sales Analysis by Market

	2004	2003	Growth
	£'000	£'000	%
Bank Note and High Security Documents	2,994	3,605	(17)
Brand Protection	4,942	4,747	4
ID Technologies	3,248	3,045	7
Product Enhancement	480	702	(32)
Metallising	227	262	(13)
Sundry	<u>262</u>	<u>317</u>	<u>(17)</u>
Total	<u>12,153</u>	<u>12,678</u>	<u>(4)</u>

KEY ASPECTS OF TRADING RESULTS

– Turnover

Banknote and High Security Documents

- Fall in sales of 17%
- Expected cyclical downturn in temporary licence programme in America
- Volumes in major tax stamp programme were below expectations and new programmes are yet to be secured
- No significant Euro order fulfilled in period

KEY ASPECTS OF TRADING RESULTS

– Turnover

Brand Protection

- Growth in sales of 4%
- Licensed merchandise sales in US continue to be strong
- New programmes secured for two international brands
- Programme with British Video Association members (i.e. major studios) progressing well

KEY ASPECTS OF TRADING RESULTS

– Turnover

Advantage ID Technologies

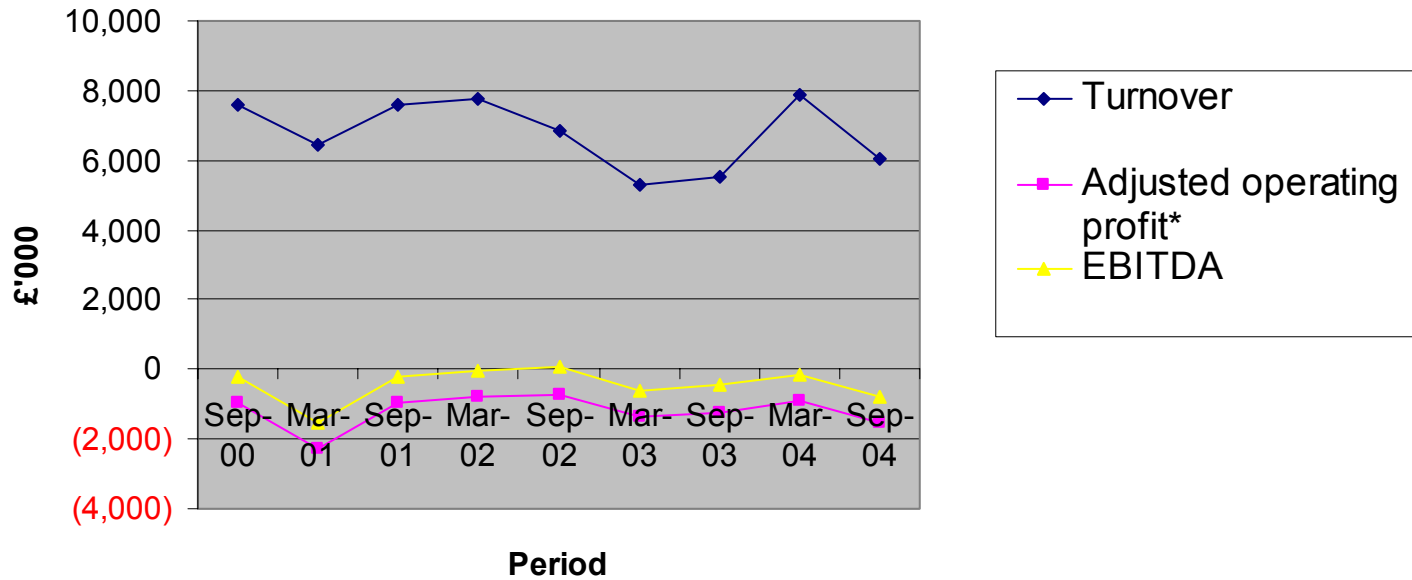
- Turnover up by 7%
- Increase due in part to recommencement of programmes delayed in prior year
- New business secured in Iraq, Afghanistan and Pakistan

– Segmental Analysis

	EUROPE		AMERICA	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Turnover	<u>6,021</u>	<u>5,514</u>	<u>7,148</u>	<u>7,853</u>
Adjusted operating (loss)/profit	<u>(1,711)</u>	<u>(1,438)</u>	<u>651</u>	<u>940</u>

– European Operations

Consolidated European Management Accounts



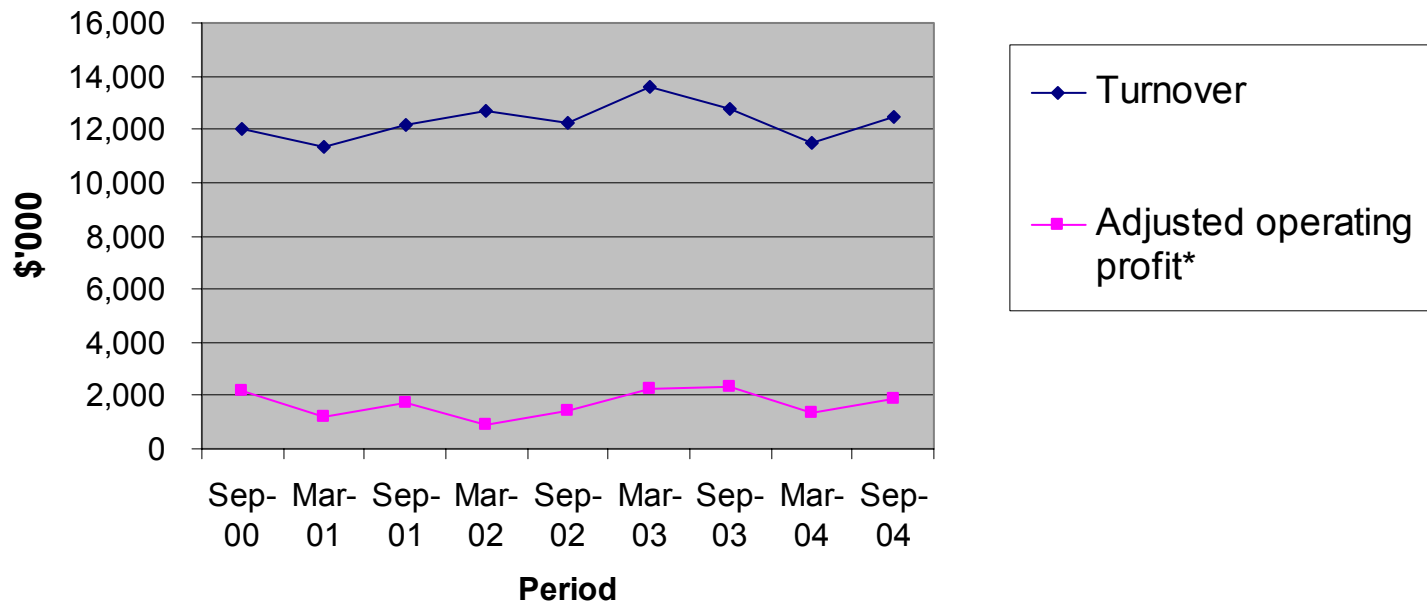
*before corporate recharge

– European Operations

- Turnover up by 9% due primarily to tax stamp programme in the Middle East. However, this programme is below budgeted levels
- No significant Euro banknote orders
- Further reorganisation completed in September
- Margins down from 19% to 10%
- Operating expenses down by 4%
- Board has announced the decision to exit the loss making parts of the European business

– American Operations

Consolidated American Management Accounts



* Before corporate recharge

– American Operations

- Turnover up by 1% in dollar terms
- Expected cyclical downturn in AAMVA business offset by strong sales in Brand Protection and recovery in ID Technologies business
- Margins unchanged at 40%
- Operating expenses up by 6% due to significant investment in marketing

– Group Net Operating Expenses

	2004	2003	Movement
	£'000	£'000	%
<u>Distribution Costs</u>			
Selling and Marketing Costs	1,765	1,710	3
<u>Administrative Expenses</u>			
Technical Support	228	304	(25)
Research and Development	519	551	(6)
Administrative Costs	<u>1,992</u>	<u>2,104</u>	<u>(5)</u>
	4,504	4,669	<u>(4)</u>
Exceptional Costs	402	-	
Goodwill amortisation	567	629	
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<u>Net Operating Expenses</u>	<u><u>5,473</u></u>	<u><u>5,298</u></u>	

– Share of Profits from Joint Ventures

Joint Venture	2004	2003
	£'000	£'000
3dcd	<u>368</u>	<u>518</u>

- Reflects decreased activity at Microsoft
- Business with DVD studios ahead of expectations

– Cashflow Statement

- Cash inflow from operating activities of £0.5 million (2003: £0.7 million)
- Capital expenditure of £0.5 million
- Cash at bank and in hand of £1.4 million (31 March 2004: £1.9 million)
- Net funds of £1.0 million (31 March 2004: £1.1 million)
- Post balance sheet disposal of Grove Park property for £3.75 million

– Sales Prospects

- Banknote and High Security Documents
 - New tax stamp programmes
- ID Technologies
 - Delayed programmes now recommenced
 - New programmes secured
- Brand Protection
 - Licensed merchandise continues to be strong
 - Two new programmes secured

– European Restructuring

- Exit from loss making operations announced previously
- Consultations with employees commenced
- Further announcements will be made at the earliest opportunity

– Conclusion

- American operations and 3dcd continue to perform well
- Exit from loss making European operations will leave a profitable Group
- Core technology base preserved and growing
- Strong balance sheet