

# Interim Results

## September 2011



# Highlights

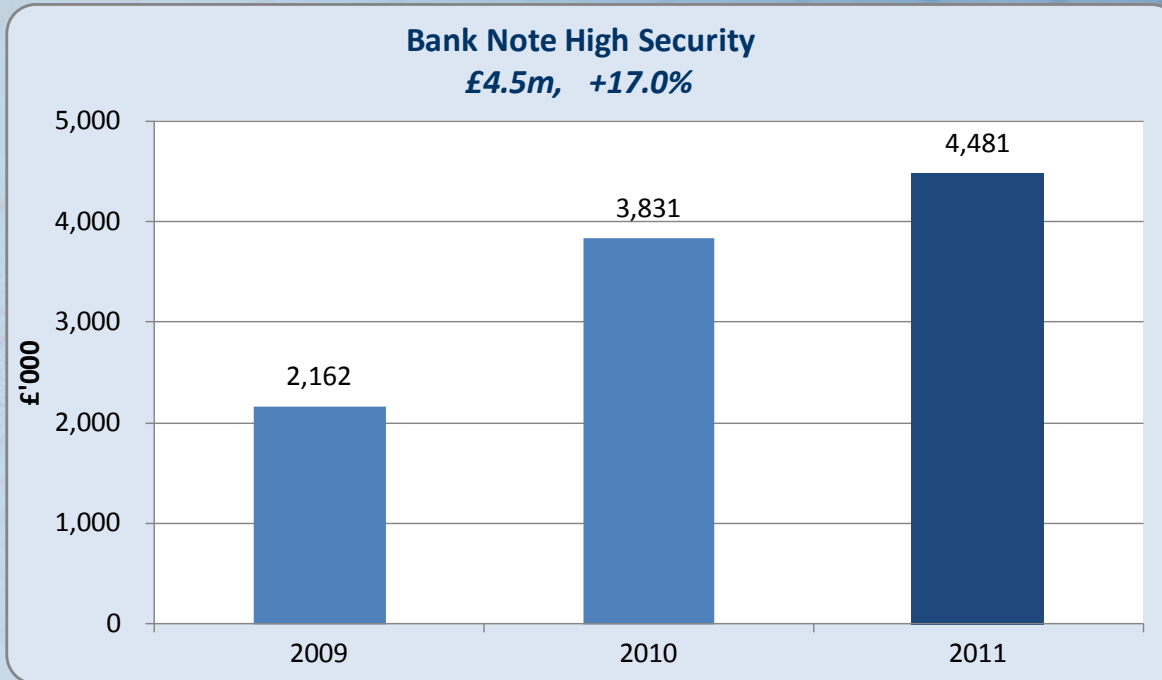
- Adjusted operating profit up by 3% to £1.42 million;
- Group revenue increased by 1.5% to £19.9 million;
  - Banknote and High Security Document revenues up 17%
  - Brand Protection revenues up 5%
  - ID Solutions revenues down by 35%
- Completion of acquisition of ID Solutions software business in the Caribbean;
- Investcorp secured majority stake in the business via a cash offer;
- New funding arrangements secured with JP Morgan Chase.

# Group Revenue by Market

	<b>2011</b> <b>£'000</b>	<b>2010</b> <b>£'000</b>	<b>Movement</b> <b>%</b>
BNHS	4,481	3,831	17.0%
Brand Protection	13,573	12,892	5.3%
ID Solutions	1,895	2,936	(35.5%)
Total Revenue	19,949	19,659	1.5%

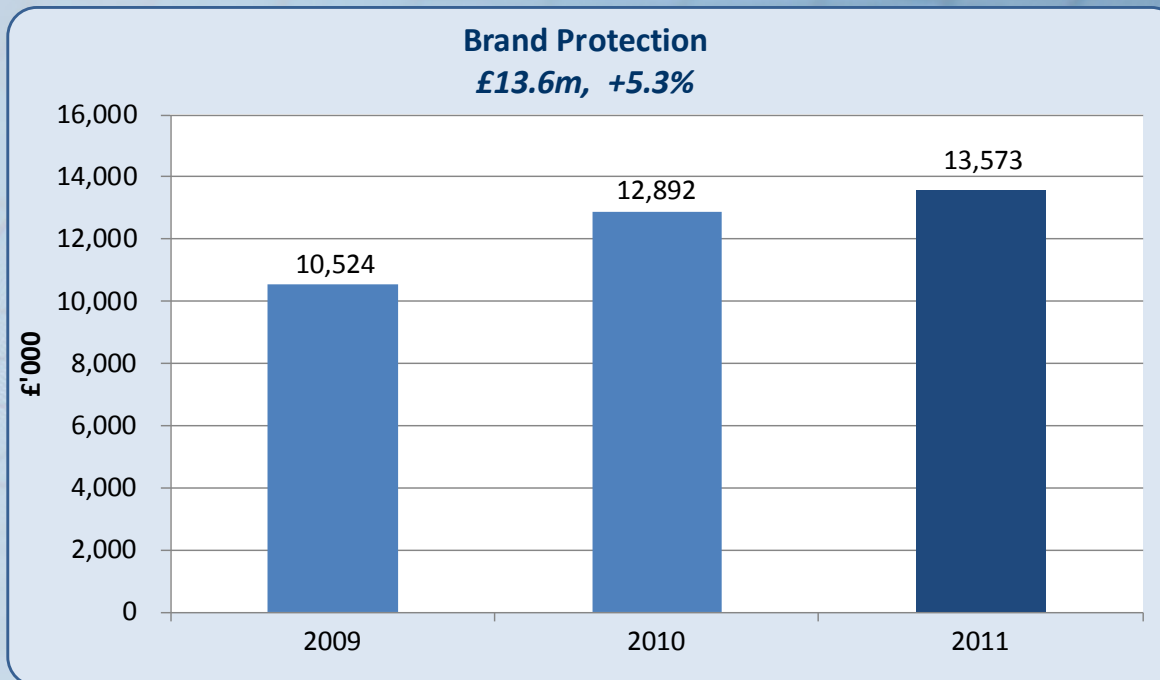
Note that the average dollar exchange rate during the first half of FY2012 was 1.62 (FY2011: 1.53)

# Bank Note & High Security Documents



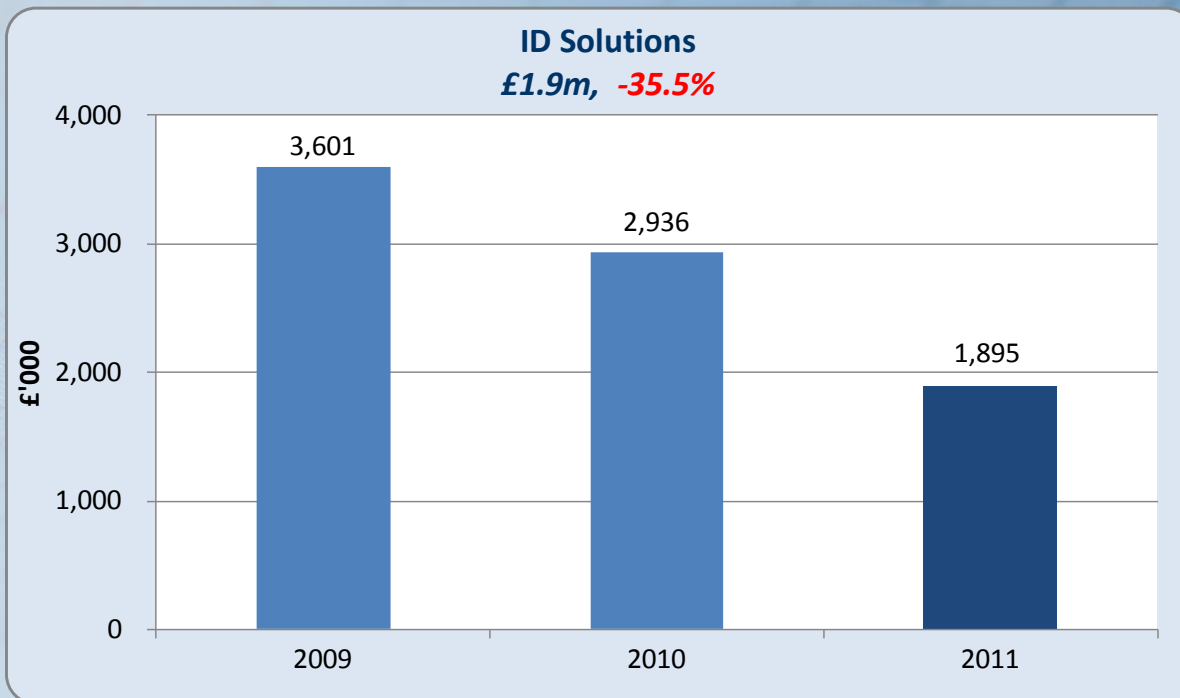
- Revenue up by 17%, +£650,000;
- Strong ordering from US vehicle identification market;
- Prior year benefited from launch volumes on an Asian currency contract.

# Brand Protection



- Revenue up by 5%, +£681,000;
- New lines launched with existing apparel customers;
- Increased sales of £0.6 million to Asian tobacco market.

# ID Solutions

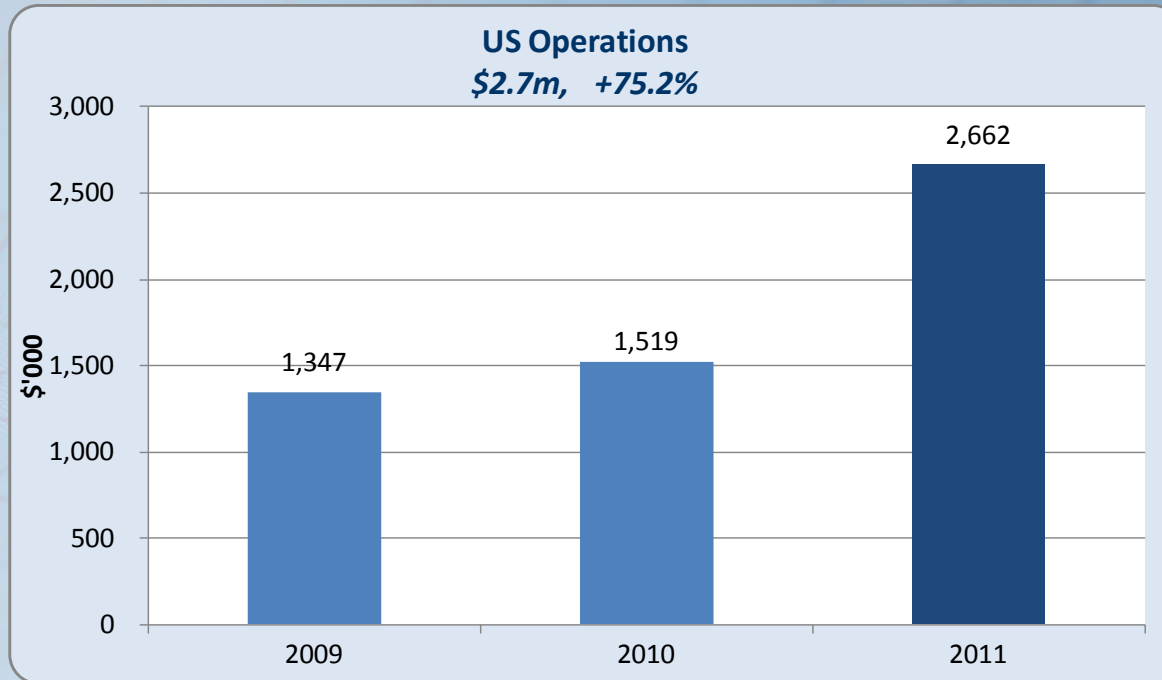


- Sales decreased by 35%, -£1.0 million;
- UK passport account lost, -£0.6 million;
- Loss of a major US ID program, -£0.8 million;
- Impact of Caribbean acquisition, +£60,000;
- Second half expected to be stronger.

# Group Operating Profit

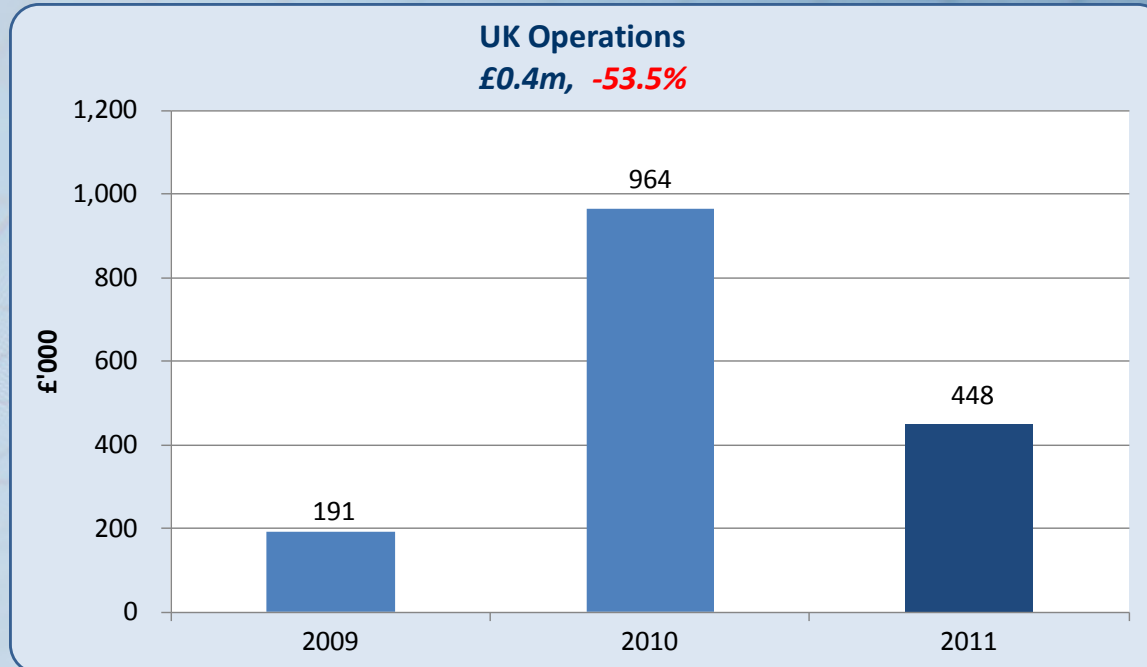
	Actual FY 2011 £'000	Actual FY 2010 £'000	Variance FY 2010/11 £'000	Variance FY 2010/11 %
<b>Adjusted Operating Profit</b>				
USA	1,648	1,015	633	62.4%
UK	448	964	(516)	-53.5%
Germany	304	211	93	44.1%
Caribbean	(116)	-	(116)	-
3dcd	146	244	(98)	-40.0%
Corporate	(1,010)	(1,050)	40	3.8%
Adjusted Operating Profit	1,420	1,384	36	2.6%
Goodwill / SBP / Exceptionals	(2,410)	(576)	(1,834)	
Operating Profit	(990)	808	(1,798)	-122.4%

# American Operations



- Operating profits increased by 75.2%;
- Revenue growth of 6.7%; increase in BNHS and Brand Protection offset by disappointing ID Solutions revenues
- Gross margins increased from 38.5% to 40.3% as a result of a number of cost saving and efficiency programmes;
- Overheads decreased by 6.3% due to reduced Technical and Finance and Administrative expenditure.

# UK Operations



- Revenue increased by 1.4%;
- Gross margins decreased from 40.8% to 33.0% as a result of the delay in bringing sub-contracted production in-house and the impact of the loss of a passport programme;
- Overheads in line with prior year.

# German Operations

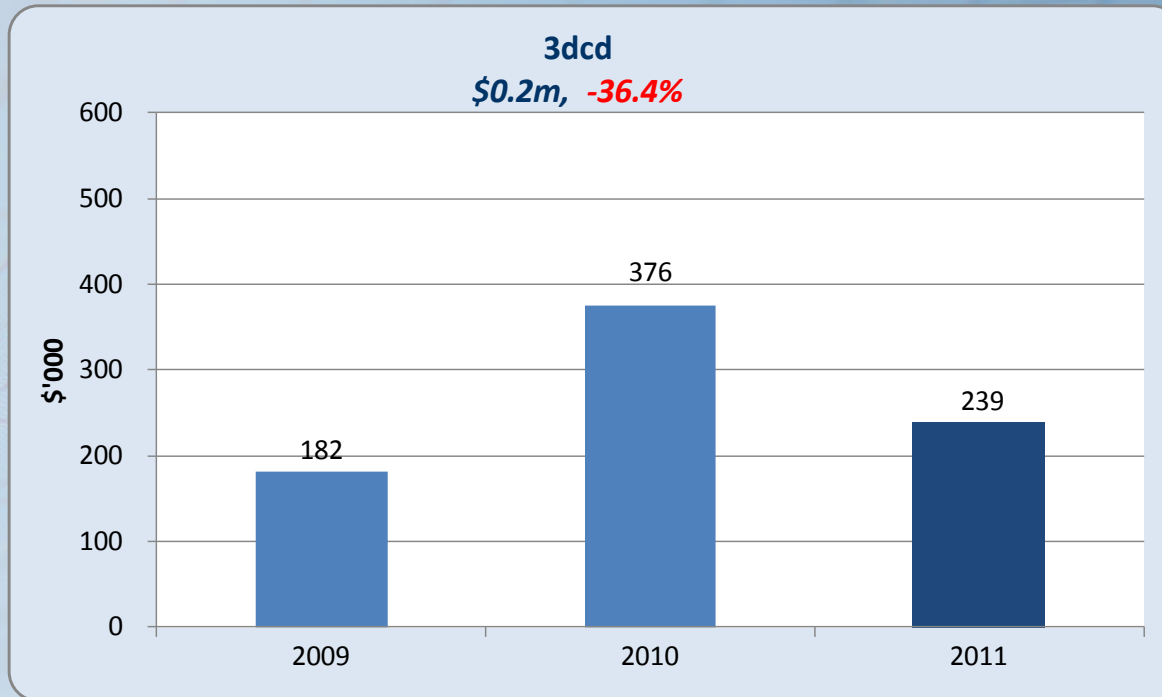


- Revenue growth of 7.9% from existing customers;
- Gross margins increased from 52.3% to 58.1% as a result of increased efficiency on internet monitoring;
- Operating profit increased by 37.8%.

# Caribbean Operations

- Purchased May 2011;
- Revenue of £59,000 in first half of the year;
- Adjusted Operating Loss of £116,000;
- Major contract with a Caribbean country now secured and implementation underway;
- Significantly enhances the Group's ID Solutions product offering.

# 3dcd



- 3dcd revenue decreased due to one off machine sales related to new technology in prior year.

# Corporate Costs



- Covers all centrally controlled costs including; legal, intellectual property, public company costs and management incentive schemes;
- No significant year on year change.

# Goodwill/Share Based Payments

	Actual FY 2011 £'000	Actual FY 2010 £'000	Variance FY 2010/11 £'000
Share based payments	204	250	46
Exceptional items	1,968	-	(1,968)
Goodwill amortisation	238	326	88
Total	2,410	576	(1,834)

- Exceptional items comprises:
  - \$2.6 million fee payable to Investcorp re. change of control
  - £274,000 fees in respect of the Caribbean acquisition
  - £103,000 fees in respect of cash offer for the business;
- Goodwill amortisation represents charge on P4M, Light Impressions and Caribbean acquisitions.

# Finance Charges

	Actual FY 2011 £'000	Actual FY 2010 £'000	Variance FY 2010/11 £'000
<i>Finance income</i>			
Interest income	7	2	5
Foreign exchange gains / (losses) on deposits	11	(170)	181
	18	(168)	186
<i>Finance expense</i>			
Interest expense	(577)	(734)	157
Amortisation of bank fees	(180)	(300)	120
	(757)	(1,034)	277

- Foreign exchange gains/(losses) relate to retranslation of currency cash deposits held to service borrowings;
- Interest expense reflects the loan note and preference shares with Investcorp.

# Cash Flow Statement

	Actual FY 2011 £'000	Actual FY 2010 £'000	Variance FY 2010/11 £'000
Cashflows from operating activities before w/c movements	2,220	2,143	77
Exceptionals	(1,968)	-	(1,968)
Working capital movements	1,097	(2,324)	3,421
Interest / tax paid	(1,130)	(415)	(715)
Capex	(654)	(369)	(285)
Acquisition / Earn out payments	(183)	(223)	40
Dividends received	321	473	(152)
Loan repayments	(1,839)	(1,282)	(557)
Other	181	(436)	617
<b>Net decrease in cash</b>	<b>(1,955)</b>	<b>(2,433)</b>	<b>478</b>
<b>Closing cash balance</b>	<b>4,226</b>	<b>4,621</b>	<b>(395)</b>

# Outlook

- The second half of the year is historically our stronger half;
- Performance will depend upon our ability to convert a significant pipeline of prospects and the timing or orders from our major government customers;
- Trading in the second half of the previous year benefitted from the launch of a new Asian currency which is not scheduled to repeat in the current year;
- We are continuing to reinvest in the Group's facilities and capabilities;
- We are actively pursuing further acquisition opportunities.