

**Armour Group plc
(AIM: AMR)**

**Unaudited Interim Statement
For the six months to 28 February 2011**

Armour Group plc is the United Kingdom's leading consumer electronics group within the home and in-car communications and entertainment markets, committed to designing, manufacturing and distributing leading-edge audio and visual products and solutions.

Financial Headlines

- Sales £23.8 million (2010: £29.7 million).
- Loss before tax and exceptional items £0.7 million (2010: Profit £1.1 million).
- Exceptional items £1.1 million (2010: £Nil).
- Cash utilised in operating activities of £1.6 million (2010: £0.3 million).
- Basic loss per ordinary share 1.7p (2010: Earnings 1.3p).
- The Group remains comfortably within borrowing facilities despite trading conditions.

Commenting on today's results, George Dexter, CEO, said:

"These are very challenging times for all those involved in the consumer electronics market in the UK and Europe. The current squeeze on disposable income and the fall in consumer confidence has hit our sales and operating profit performance hard over the past six months.

We have put in place a plan that focuses on our strengths and sizes the Group's operations to service what we expect to be a lower level of demand in our core UK retail market. We believe that this plan will return the Group to profit in 2012 and will position it to prosper as and when sustained consumer recovery takes hold."

For further information please contact:

Armour Group plc
George Dexter, Chief Executive
John Harris, Finance Director

Tel: 01892 502700

FinnCap, Nominated Adviser and Broker
Geoff Nash
Stephen Norcross (Sales)

Tel: 0207 600 1658

Threadneedle Communications, Financial PR
Trevor Bass, Alex White

Tel: 0207 653 9850

Unaudited Interim Statement For the six months to 28 February 2011

Results and Dividend

The Group results for the first six months of the year reflect a difficult trading environment for consumer facing businesses in the UK. Sales in the six months to 28 February 2011 were down 20% at £23.8 million which resulted in a loss before tax and exceptional charges of £0.7 million. Our home division has found the market conditions particularly challenging and has been loss-making in the first half of the year, offsetting the continued improvement in our automotive division, which increased its operating profits in the first six months. The Group has incurred exceptional charges of £1.1 million relating to redundancies, the Armour Home reorganisation and the Chinese manufacturing facility.

- Sales £23.8 million (2010: £29.7 million)
- Loss before tax and exceptional items £0.7 million (2010: Profit £1.1 million)
- Exceptional items of £1.1 million (2010: £Nil)
- Cash utilised in operating activities of £1.6 million (2010: £0.3 million)
- Basic loss per ordinary share 1.7p (2010: Earnings 1.3p)

The Board is not recommending an interim dividend.

Operations

The Group's exposure to the weakening retail markets, particularly those in the UK which account for 60% of Group sales, has had a significant impact on the trading performance in the first six months of the year. The poor weather in the UK in December compounded these trading issues, although the key influence has been an underlying change in consumer confidence, which has deteriorated over the past six months. With the Group's primary focus being on products that typically fall into the discretionary spend category, any fall in consumer confidence has a consequential negative impact on the Group's trading performance.

In response to the weakening trading environment, the Group has already cut its annualised cost base by over £1.5 million, which has included reducing the number of employees by more than fifty since July 2010. We also initiated in September 2010 the reorganisation of Armour Home, with a plan to merge the two operating businesses within the division into a single trading entity. This reorganisation is now well advanced and is expected to be substantially complete by 1 September 2011 with a further £0.75 million of annual savings targeted by the end of this financial year.

Whilst the impact of the poor retail environment has hit hard the overall trading results for the Group, there have been some encouraging areas of growth and improvement. In particular, our automotive division has continued to recover on the back of strong demand from its non-retail customers and we have also experienced further sales growth in our Scandinavian and Asian operations.

We have continued with our strategy of investment in new product development, as we believe that this will drive future sales growth. However, the pace of this investment has been slowed down as part of the Group's response to its weaker trading performance. Despite this slow down, we will launch a number of new products into the market over the coming months.

In December 2010, the Group agreed new lending facilities with GE Commercial Finance Limited. These facilities provide variable funding based on the levels of sales and inventory. The Group has maintained, and expects to continue to maintain, a comfortable headroom margin within these facilities. In addition to the new lending arrangements, the Group completed a £2 million equity fund raising on 23 February 2011. The Board is confident that the combination of the new lending facilities together with the new equity raised will provide sufficient financing facilities to manage the Group through the current economic downturn.

Armour Home

Armour Home has had a difficult six months with sales falling by 30% to £16.5 million resulting in an operating loss for the division of £0.9 million. This loss includes exceptional costs for this division of £0.8 million relating to restructuring and the Chinese manufacturing facility.

A disappointing Christmas trading period, affected by the poor weather in December, has extended well into 2011 with falling consumer confidence hitting demand across all our sales channels and all our core brands. The speed of the slowdown in consumer demand, particularly in the UK retail sales channel, has been unprecedented.

In the retail sales channel, our key retail customers are reporting slow trading and excess stock in their supply chains. Whilst the post Christmas trading months are typically quiet in retail, there has been a noticeable further weakening this year. In the medium term we expect sales to improve as stock levels held by our retail customers fall and there is a need to re-order. However, we are planning and preparing for a lower level of sales activity going forward. We continue to win new business with major retailers, both in the UK and in Europe, but the impact of this new business is being offset by an overall fall in demand in the consumer electronics sector.

In the home automation sales channel, demand has been weak although it has not been as badly affected as the retail channels. We are starting to see some tentative signs of improvement in this sales channel, with an increased level of enquiries from home builders and stronger demand from installers for our training courses. However, these signs need to be viewed with some caution as the general outlook in the house building market remains uncertain.

In response to the challenging environment we have put in place a plan for the division to improve gross margins across all the core brands, reduce operating costs and merge the two operating businesses into one trading entity. We are currently half way through the implementation of this plan and are seeing clear progress on margin improvement and cost reduction. The expectation is that this plan will be largely complete by the start of the 2012 financial year, at which point we believe Armour Home will be a smaller, but profitable operating division of the Group.

Armour Auto

Armour Auto has made good progress in the six months to 28 February 2011. Sales of £6.8 million were up 10% on last year and operating profit was £0.2 million compared to the break-even position for the first half to February 2010. The prospects for the division look promising. The driver for the division is strong growth in its non-retail sales channels which are more than compensating for weak retail demand.

In the UK retail sales channel, the experience is similar to that of Armour Home with falling consumer demand resulting in sales being 15% down on last year. In response to the falling retail sales, we have reorganised our operations reducing the cost base in this area of the business and focusing on our core customers and brands. Our expectation is that the retail sales channel will remain flat in terms of consumer demand for the foreseeable future. However, we do see opportunities to grow sales through increased market share in specific areas of the automotive aftermarket such as in-car hands free solutions.

Armour Auto's performance in the non-retail sales channels has been impressive in the first six months of the year. Sales have increased by 74% to £2.6 million with strong demand coming from the agricultural vehicle market for our in-cab audio solutions and from the telematics market for our GPS/GSM antennae products. We have secured new supply contracts in the leisure, agricultural and telematics markets, which we believe will deliver continuing revenue growth into 2012.

In April, Armour Auto entered into an agreement with Dension Audio Systems for the exclusive UK distribution of their range of in-vehicle integrated connectivity solutions. This range of products strengthens our product offering into the automotive aftermarket and complements our existing portfolio of connectivity solutions marketed under the Autoleads

brand. The distribution agreement went live from 3 May 2011 and is expected to add £0.5 million of incremental annualised sales.

The outlook for Armour Auto is positive and profitable with continued sales growth anticipated to be generated from the non-retail side of the business and the introduction of new products.

Outlook

The outlook for the Group over the coming months is expected to remain challenging. Trading in Armour Home in March and April has been difficult which has had a consequential negative impact on our full year expectations. The plan put in place and the actions being taken by the management are focused on returning the Group to profit and sizing the operations to service a lower level of demand within our core UK retail markets. The fundamentals of the Group, namely class leading products and brands, unrivalled distribution and first class service, are unchanged. The Board believes that the restructuring plan that is now underway combined with these fundamentals will return the Group to profit in 2012 and will position it to prosper as and when a more sustained consumer recovery takes hold.

Bob Morton
Chairman
27 May 2011

George Dexter
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months to 28 February 2011

	Notes	Six months to 28 February 2011 (unaudited) £000	Six months to 28 February 2010 (unaudited) £000	Twelve months to 31 August 2010 £000
Revenue	2	23,843	29,735	56,591
Underlying (loss)/profit for the period	2	(474)	1,225	1,172
Exceptional loss for the period	2,3	(1,100)	-	-
(Loss)/profit from operations		(1,574)	1,225	1,172
Finance income		12	4	8
Finance expense		(207)	(99)	(233)
(Loss)/profit before taxation		(1,769)	1,130	947
Taxation credit/(expense)	4	617	(309)	(68)
(Loss)/profit for the financial period		(1,152)	821	879
Other comprehensive income				
Exchange gain arising on translation of foreign operations		60	28	19
Total comprehensive (loss)/income		(1,092)	849	898
Earnings per ordinary share	5			
Basic		(1.7)p	1.3p	1.4p
Diluted		(1.7)p	1.3p	1.4p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 28 February 2011

	28 February 2011 (unaudited) £000	28 February 2010 (unaudited) £000	31 August 2010 £000
Non-current assets			
Goodwill	21,084	21,084	21,084
Other intangible assets	4,380	3,877	4,319
Property, plant and equipment	1,736	1,930	1,829
Total non-current assets	27,200	26,891	27,232
Current assets			
Inventories	11,463	13,075	10,653
Trade and other receivables	9,151	10,247	9,523
Cash and cash equivalents	2,090	88	397
Total current assets	22,704	23,410	20,573
Total assets	49,904	50,301	47,805
Current liabilities			
Bank overdrafts and borrowings	(8,333)	(5,459)	(5,613)
Trade and other payables	(9,334)	(12,261)	(10,392)
Corporation taxation liability	(182)	(652)	(182)
Provisions	(783)	(167)	(132)
Total current liabilities	(18,632)	(18,539)	(16,319)
Non-current liabilities			
Borrowings	-	(957)	(480)
Deferred taxation liability	(434)	(806)	(946)
Total non-current liabilities	(434)	(1,763)	(1,426)
Total liabilities	(19,066)	(20,302)	(17,745)
Total net assets	30,838	29,999	30,060
Equity			
Share capital	6 7,134	6,848	6,848
Share premium	10,087	8,513	8,513
Other reserves	871	871	871
Retained earnings	13,176	14,248	14,318
Translation reserve	142	91	82
Share trust reserve	(572)	(572)	(572)
Total equity	30,838	29,999	30,060

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months to 28 February 2011 (unaudited)

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Translation reserve £000	Share trust reserve £000	Total equity £000
At 1 September 2010	6,848	8,513	871	14,318	82	(572)	30,060
Issue of equity	286	1,574	-	-	-	-	1,860
Total comprehensive income	-	-	-	(1,152)	60	-	(1,092)
Share-based payments	-	-	-	10	-	-	10
At 28 February 2011	7,134	10,087	871	13,176	142	(572)	30,838

For the six months to 28 February 2010 (unaudited)

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Translation reserve £000	Share trust reserve £000	Total equity £000
At 1 September 2009	6,848	8,513	871	13,602	63	(572)	29,325
Total comprehensive income	-	-	-	821	28	-	849
Share-based payments	-	-	-	20	-	-	20
Dividend	-	-	-	(195)	-	-	(195)
At 28 February 2010	6,848	8,513	871	14,248	91	(572)	29,999

For the twelve months ended 31 August 2010

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Translation reserve £000	Share trust reserve £000	Total equity £000
At 1 September 2009	6,848	8,513	871	13,602	63	(572)	29,325
Total comprehensive income	-	-	-	879	19	-	898
Share-based payments	-	-	-	32	-	-	32
Dividend	-	-	-	(195)	-	-	(195)
At 31 August 2010	6,848	8,513	871	14,318	82	(572)	30,060

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months to 28 February 2011

	Notes	Six months to 28 February 2011 (Unaudited) £000	Six months to 28 February 2010 (Unaudited) £000	Twelve months to 31 August 2010 £000
Cash flow from operating activities				
Cash (utilised in)/generated from operations	7	(1,550)	(321)	1,818
Income taxes recovered/(paid)		106	(88)	(178)
Net cash from operating activities		(1,444)	(409)	1,640
Investing activities				
Purchase of property, plant and equipment		(206)	(187)	(401)
Sale of property, plant and equipment		33	1	36
Expenditure on intangible assets		(574)	(770)	(1,684)
Interest received		12	4	8
Net cash used in investing activities		(735)	(952)	(2,041)
Financing activities				
Dividend paid		-	-	(195)
Issue of equity		1,860	-	-
New loans		10,670	-	-
Refinancing arrangement costs		(305)	-	-
Repayment of loans		(3,593)	(500)	(1,000)
Interest paid		(162)	(89)	(196)
Net cash arising from/(used in) financing activities		8,470	(589)	(1,391)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	8	6,291	(1,950)	(1,792)
Currency variations		59	27	23
Cash, cash equivalents and bank overdrafts at the start of the period		(4,260)	(2,491)	(2,491)
Cash, cash equivalents and bank overdrafts at the end of the period		2,090	(4,414)	(4,260)

Notes to the Interim Financial Statements

1. Basis of Preparation

These interim financial statements have been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively "Adopted IFRS").

The principal accounting policies used in preparing these interim financial statements are those expected to apply to the Group's Consolidated Financial Statements for the year ending 31 August 2011 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 August 2010.

The financial information for the six months ended 28 February 2011 and 28 February 2010 is unaudited and does not constitute statutory financial statements for those periods.

The comparative financial information for the twelve months ended 31 August 2010 has been derived from the audited statutory financial statements for that year. These financial statements were approved by shareholders at the Annual General Meeting and have been delivered to the Registrar of Companies. The Auditors' Report on those financial statements was unqualified, did not include a reference to any matters to which the Auditors drew attention by way of emphasis without qualifying their report and did not include a statement under section 498(2) or 498(3) of the Companies Act 2006.

The Board of Directors approved this interim report on 27 May 2011.

2. Business Segments

The Group operates in the following main business segments:

Armour Auto: The design, manufacture and supply of products for the in-car communications and entertainment market.

Armour Home: The design, manufacture and supply of products into the Hi-Fi, home theatre, home entertainment and office furniture markets.

Central operations: The provision of finance and support services, including future product concepts and Hong Kong based quality control, to the other business segments within the Group and the sale of Armour Auto and Armour Home products to the Asian markets.

For the six months to 28 February 2011 (Unaudited)	Armour Auto £000	Armour Home £000	Central operations £000	Total £000
Revenue	6,829	16,514	500	23,843
Underlying (loss)/profit for the period	261	(41)	(694)	(474)
Exceptional items	(53)	(814)	(233)	(1,100)
(Loss)/profit from operations	208	(855)	(927)	(1,574)
(Loss)/profit before taxation	152	(1,237)	(684)	(1,769)
Additions to non-current assets	191	570	19	780
Depreciation	83	205	7	295
Amortisation	106	406	1	513
Share-based payments	2	6	2	10

For the six months to 28 February 2010 (Unaudited)	Armour Auto £000	Armour Home £000	Central operations £000	Total £000
Revenue	6,217	23,518	-	29,735
Profit/(loss) from operations	8	2,039	(822)	1,225
Profit/(loss) before taxation	6	1,766	(642)	1,130
Additions to non-current assets	151	798	8	957
Depreciation	84	204	8	296
Amortisation	104	349	-	453
Share-based payments	3	15	2	20

For the twelve months to 31 August 2010	Armour Auto £000	Armour Home £000	Central operations £000	Total £000
Revenue	13,252	42,794	545	56,591
Profit/(loss) from operations	163	2,633	(1,624)	1,172
Profit/(loss) before taxation	122	1,942	(1,117)	947
Additions to non-current assets	350	1,724	11	2,085
Depreciation	178	403	15	596
Amortisation	213	762	2	977
Share-based payments	4	25	3	32

	Six months to 28 February 2011 (Unaudited) £000	Six months to 28 February 2010 (Unaudited) £000	Twelve months to 31 August 2010 £000
Revenue by location of customers			
United Kingdom	18,458	24,385	45,077
Sweden	919	856	1,927
France	684	681	1,461
Hong Kong	641	862	1,785
Other countries	3,141	2,951	6,341
Total	23,843	29,735	56,591

3. Exceptional items

The Group has exceptional items of £1.1 million in relation to redundancy and restructuring costs and expenditure on the Chinese manufacturing facility. £0.3 million of these had been incurred by 28 February 2011 and the balance of £0.8 million is reflected as a provision in the Consolidated Statement of Financial Position.

4. Taxation

The taxation credit for the six months to 28 February 2011 is based on the effective taxation rate, which is estimated will apply to earnings for the year ending 31 August 2011, and includes a recovery of £106,000 prior year corporation tax.

5. Earnings per Ordinary Share

Basic earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 65,845,333 (28 February 2010: 65,056,067 and 31 August 2010: 65,056,067).

Diluted earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the financial period of 65,845,333 (28 February 2010: 65,056,067 and 31 August 2010: 65,056,067). The effect of the exercise of options on the weighted average number of ordinary shares in issue is nil for all periods.

The weighted average number of ordinary shares held by the Armour Employees' Share Trust of 3,424,000 (28 February 2010: 3,424,000 and 31 August 2010: 3,424,000) are not included in either the weighted average, or diluted weighted average, ordinary shares in issue during the financial period.

Underlying earnings per ordinary share is also shown calculated by reference to earnings before share-based payments and exceptional items. The Directors consider that this gives a useful additional indication of underlying performance.

	Six months to 28 February 2011 (Unaudited)		Six months to 28 February 2010 (Unaudited)		Twelve months to 31 August 2010	
	£000	p	£000	p	£000	p
Basic earnings per ordinary share						
Profit for the financial period	(1,152)	(1.7)	821	1.3	879	1.4
Share-based payments	10	-	20	-	32	-
Exceptional items (net of taxation)	814	1.2	-	-	-	-
Underlying earnings	(328)	(0.5)	841	1.3	911	1.4
Diluted earnings per ordinary share						
Profit for the financial period	(1,152)	(1.7)	821	1.3	879	1.4
Share-based payments	10	-	20	-	32	-
Exceptional items (net of taxation)	814	1.2	-	-	-	-
Underlying earnings	(328)	(0.5)	841	1.3	911	1.4

6. Share Capital

On 23 February 2011, each 10p ordinary share in issue was sub-divided into one New Ordinary Share of 1p each and one Deferred Share of 9p each. Each authorised but unissued Ordinary Share was sub-divided into 10 New Ordinary Shares of 1p each. On the same date, the Company issued 28,571,429 New Ordinary shares of 1p each by way of a placing at 7p per share.

Movements in issued share capital

	Ordinary Shares of 10p each (Unaudited) Number '000	Ordinary Shares of 1p each (Unaudited) Number '000	Deferred Shares of 9p each (Unaudited) Number '000	
Issued: number				
In issue at 1 September 2010	68,480	-	-	
Sub-division of shares	(68,480)	68,480	68,480	
Issued during the period	-	28,571	-	
In issue at 28 February 2011	-	97,051	68,480	
	Ordinary Shares of 10p each (Unaudited) £000	Ordinary Shares of 1p each (Unaudited) £000	Deferred Shares of 9p each (Unaudited) £000	Total (Unaudited) £000
Issued: £'000				
In issue at 1 September 2010	6,848	-	-	-
Sub-division of shares	(6,848)	685	6,163	6,848
Issued during the period	-	286	-	286
In issue at 28 February 2011	-	971	6,163	7,134

7. Net Cash from Operations

	Six months to 28 February 2011 (Unaudited) £000	Six months to 28 February 2010 (Unaudited) £000	Twelve months to 31 August 2010 £000
(Loss)/profit from operations	(1,574)	1,225	1,172
Depreciation of property, plant and equipment	295	296	596
Amortisation of intangible assets	513	453	977
Share-based payments	10	20	32
EBITDA*	(756)	1,994	2,777
Gain on sale of property, plant and equipment and fair value adjustments	(29)	(92)	(165)
(Increase)/decrease in inventories	(810)	(1,394)	1,028
Decrease/(increase) in trade and other receivables	372	(372)	353
Decrease in trade, other payables and provisions	(327)	(457)	(2,175)
Net cash (utilised in)/generated from operations	(1,550)	(321)	(1,818)

*EBITDA is defined as profit before interest, taxation, depreciation, amortisation and share-based payments.

8. Reconciliation of Net Cash Flow to Movement in Net Debt

Net debt incorporates the Group's borrowings and bank overdrafts less cash and cash equivalents. A reconciliation of the movement in the net debt is shown below:

	Six months to 28 February 2011 (Unaudited) £000	Six months to 28 February 2010 (Unaudited) £000	Twelve months to 31 August 2010 £000
Net increase/(decrease) in cash and cash equivalents	6,291	(1,950)	(1,792)
New loans	(10,670)	-	-
Repayment of loans	3,593	500	1,000
Other non-cash movements	239	9	(17)
Increase in net debt in the financial period	(547)	(1,441)	(809)
Opening net debt	(5,696)	(4,887)	(4,887)
Closing net debt	(6,243)	(6,328)	(5,696)

9. Copies of Interim Report

Copies of this interim report are being sent to shareholders and will also be made available upon request to members of the public at the Company's Registered Office, Lonsdale House, 7-9 Lonsdale Gardens, Tunbridge Wells, Kent, TN1 1NU. This interim report can also be viewed on the Group's website: www.armourgroup.uk.com.

ABOUT ARMOUR

Armour Group is the United Kingdom's leading consumer electronics group within the home and in-car communications and entertainment markets, committed to designing, manufacturing and distributing leading-edge audio and visual products and solutions.

Armour Group has two principal operating divisions, Armour Home and Armour Auto, and employs over 250 people across eight operating sites in the UK, Scandinavia and Hong Kong.

The Group possesses a strong brand portfolio, including more than 6,000 products and accessories, which is underpinned by innovative product development and investment in proprietary technology.

An unrivalled distribution capability ensures that products are supplied direct to more than 6,000 retail outlets within the UK and to customers in 68 countries worldwide. Armour Group is also a leading supplier of audio and visual technology to a host of non-retail customers including vehicle manufacturers, hotel chains, house builders and custom installers.

The Group's strength is based on 5 fundamentals:

- Strong recognised brands
- Quality product portfolio
- Structured programme of product innovation
- Unrivalled distribution into the UK's retail electronics market
- First class customer service