



PSG Solutions plc

ANNUAL REPORT AND ACCOUNTS 2011

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chairman's statement

As at 31 March 2011

PSG Solutions ('the Group')

A breakdown of the profit/(loss) on ordinary activities before taxation between the Group's activities for the years ended 31 March 2011 and 2010 is as follows:

	2011 £'000	2010 £'000
Property Information Services	(170)	319
Audiotel	1,500	1,035
Moore & Buckle	301	246
Patersons Financial Services	(40)	15
	1,591	1,615
Less		
Head Office costs	(480)	(421)
	1,111	1,194
Add		
Finance income	28	30
	1,139	1,224
Exceptional expenses	-	(4,410)
Total profit/(loss) on ordinary activities before taxation	1,139	(3,186)

Turnover for the year was £10,678,588 compared with £11,027,542 last year.

The profit before tax and exceptional items for the year was £1,139,133 compared with a profit before tax and exceptional items of £1,224,533 last year.

Although the results show that no exceptional expenses were incurred Property Information Services underwent a major restructuring of its business which resulted in a number of non-recurring charges being set against profits. In total these charges were substantial and contributed to there being an operating loss of £169,906 (2010 operating profit: £319,050).

Once again Audiotel performed outstandingly well with a further increase in operating profit of 45% (2010: 43%) to £1,499,458 which reflected a continued encouraging flow of new business.

Moore & Buckle had a creditable increase in operating profit of 22% to £301,730 (2010: £246,430).

On 10 May 2011 PSG announced that a subsidiary company has been awarded a contract by a Government Department with a total value of £11 million.

Over a long period of time surplus funds, now amounting to approximately £5.0m, have accumulated and it is intended that a formal proposal will be put to shareholders in due course to return this surplus to them. It would be a Share Buy Back by way of a tender offer to acquire pro rata from each registered shareholder a proportion of their respective shareholdings. Separately to the proposed tender offer referred to above, which will require shareholder approval, the current authority given at the previous Annual General Meeting of the Company held on 18 August 2010 to purchase its own ordinary shares will expire at the conclusion of the forthcoming Annual General Meeting. A resolution to renew this existing authority will be proposed at the forthcoming Annual General Meeting to be held on 4 August 2011 and is set out in the notice of Annual General Meeting attached to this report.

PSG

Land Registry figures show that house sales in England and Wales decreased marginally during the Financial Year to 644,925 (2010: 655,716) and remain substantially lower (42%) than the

1,119,582 sales recorded during the Financial Year to 31 March 2008.

During the period PSG dealt with a number of adverse factors which, since 2007, have been cumulatively detrimental to PSG's business. These have been:-

- House sales – the continued decline of house sales since annual rates in excess of 1,000,000 prior to 31 March 2008.
- Regulatory volte face – the introduction in January 2008 and subsequent withdrawal in May 2010 of Home Information Packs (HIPs).
- Energy Performance Certificates (EPCs) – although these were introduced with great universal fanfare buyers and sellers do not regard the EPC as commercially useful. The consequent low quality and price of EPCs have hampered the sale of PSG's high quality product.
- Anti-competitive practice against private enterprise canvassing the "Search" – biased in favour of Local Authorities in their dominant position as State backed institutional monopolies.

chairman's statement

As at 31 March 2011

A thorough review of the market and PSG's performance has led to a substantial restructuring of PSG's business from the bottom up. PSG Convey, an initiative mentioned last year, turned out not to have been viable and has been closed. PSG Energy, PSG Yorkshire and the National franchise have had their cost bases pruned.

HIPs are now recognised to have been of little value but by contrast the Search and related reports continue to be commercially essential and relevant information for a home buyer.

While the property service industry has been contracting substantially our franchisees' resilience and enterprise have enabled them to consolidate both goodwill and market share. Invariably the purchaser, the property itself, the property's records and the conveyance are local. Likewise each of our franchisees, usually with around ten years' experience, is a part of each community and on the spot to resolve problems and to ensure an efficient service.

The new recently launched online ordering system, PSG Connect, now offers our clients a unique service by combining state of the art technology with the personal touch from a local

franchised office. This puts us in an advantageous position when compared to our main competitors which are essentially centralised online providers without a local network.

PSG, having experienced the downturn and adapted to the changed conditions, is currently trading profitably, albeit at a modest level, and is well positioned to weather the storm. The management and team that are in place are strongly motivated and the business should grow once opportunities arise.

Audiotel

Audiotel once again had a better year with an operating profit of £1,499,458 (2010: £1,034,652) on a turnover of £4,093,905 (2010: £3,299,339). It continued to build on the improved performance achieved in the previous year.

A Technical Counter Surveillance Measure product has been in the course of development for a new major Asian customer. Stealth Surveillance products continued to be supplied to police forces.

Audiotel is focussing on the area of its Surveillance and Counter Surveillance business relating to the order received from a Government Department for £11 million announced on 10 May this year.

Moore & Buckle (M & B)

M & B's 22% increase in operating profit to £301,730 (2010: £246,430) is consistent with their steady contribution to the Group.

The commitment of both management and staff to the business has been both loyal and consistent.

M & B continues to receive an excellent compliance rating from the food manufacturing standard accreditation BRC/IOP (British Retail Consortium/Institute of Packaging).

Outlook

PSG has the management and financial resource to develop new initiatives on a cost effective basis and to consolidate and enhance market share. It has all the prerequisites in place to grow rapidly as and when the property cycle turns positive.

Audiotel has the potential to expand internationally in the foreseeable future. It is difficult, however, to forecast the scale of that potential.

Jonathan Mervis

Chairman
11 July 2011

directors, secretary and advisors

directors

Jonathan Philip Mervis
Chairman

John Arthur Warwick FCA
Finance Director

Tweedie McGarth Brown CBE
Deputy Chairman

Bernard Cavan Connor
Chief Executive

John David Gawain Holme FCA
Non-executive Director

All of whose business address is
133 Ebury Street, London SW1W 9QU

registered office

133 Ebury Street
London SW1W 9QU

company secretary

John Arthur Warwick FCA

auditors

Milsted Langdon LLP
Chartered Accountants
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

nominated advisor and broker

finnCap
60 New Broad Street
London EC2M 1JJ

solicitors to the company

Irwin Mitchell LLP
2 Wellington Place
Leeds LS1 4BZ

principal bankers

Lloyds TSB Bank plc
Corporate Markets
1st Floor
25 Gresham Street,
London EC2V 7HN

directors' report

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2011.

principal activities

The principal activities of the Group are those of the sale and operation of property search franchises together with other property information services, manufacture and sale of specialist electronic equipment, manufacture of flexible packaging products, and financial services.

review of business

A report on the business of the Group is provided in the Chairman's statement.

future plans

Future plans for the Group are referred to in the Chairman's statement.

results

The Group's consolidated income statement for the year is set out on page 10 of the financial statements.

principal risks and uncertainties facing the Group

If the current situation in the property market changes it could affect the results of our property information business either beneficially or detrimentally.

As far as our specialist electronics business is concerned turnover is generated from a mix of small and large orders. The timing of the order placement and delivery of larger orders is inherently difficult to predict, potentially causing material fluctuations in actual results compared with expectations.

Our packaging solutions business depends on small orders and could be affected by any change in the economic environment.

dividends

The directors do not recommend payment of a dividend.

research and development

Audiotel International Limited continues its policy of investment in research and development in order to retain a competitive position in its market.

directors and their interests

The directors of the Company during the financial year were:

J P Mervis
J A Warwick
T M Brown
B C Connor
J D G Holme

contracts for directors' services and emoluments

The principal terms of the contracts entered into by directors for the provision of their services are summarised below:

	Effective date of contract	Current annual remuneration £	Notice period	Director's Position
J P Mervis	5 January 2006 as subsequently amended	120,000	12 months	Chairman
J A Warwick	5 January 2006 as subsequently amended	120,000	12 months	Finance Director
T M Brown	10 January 2005 as subsequently amended	20,000	3 months	Deputy Chairman
B C Connor	29 February 2008 as subsequently amended	150,000	12 months	Chief Executive
J D G Holme	4 April 2008 as subsequently amended	20,000	1 month	Non-executive Director

directors' report

substantial shareholders

On 4 July 2011 the Company's register of shareholders showed the following interests in 3% or more of the Company's issued share capital:

	20p ordinary shares	%
Hawk Investment Holdings Limited	5,135,010	18.65
J P Mervis	2,837,500	10.31
Artemis Investment Management Limited	2,635,000	9.57
Retro Grand Limited	2,000,000	7.26
Seraffina Holdings Limited	1,973,770	7.17
Groundlinks Limited	1,875,000	6.81
J R Davie	884,000	3.21
Trident Nominees Limited	850,000	3.09

directors' shareholdings

On 4 July 2011 the Directors had the following interests in the Company's issued share capital:

	20p ordinary shares	%
J P Mervis	2,837,500	10.31
B C Connor	500,000	1.82
J D G Holme	401,500	1.46
J A Warwick	150,000	0.54
T M Brown	80,000	0.29

payment of creditors

The Group's policy in relation to all of its suppliers is to agree payment terms with individual suppliers in advance, and ensure that these suppliers are aware of those terms and abide by such terms.

The Group's payment days as at 31 March 2011 for trade creditors were 40 days (2010: 50 days).

the environment

The Group regards compliance with relevant environmental laws and the adoption of responsible standards as integral to its business operation. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques.

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity, foreign exchange and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for current operations and planned expansions.

(b) foreign exchange risk

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. The level of risk is insignificant.

(c) credit risk

Credit risk refers to the risk that a counterparty will default on a contract resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating financial risks from defaults. Nevertheless risk has increased due to the current situation in the property market.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of customers and the UK government. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented

directors' report

in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management, based on prior experience and their assessment of the current economic environment.

directors' indemnities

The Group has taken out third party indemnity insurance for the benefit of the directors during the year which remains in force at the date of this report.

directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors are required under company legislation to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that year. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the AIM Rules.

The maintenance and integrity of the corporate and financial information on the Group's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board's statement on Corporate Governance is set out on page 8.

auditors

A resolution proposing that Milsted Langdon LLP be re-appointed as auditors of the Company will be put to the Annual General Meeting.

There is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

John Warwick

Company Secretary

11 July 2011

corporate governance

For the year ended 31 March 2011

Being a Company whose shares are admitted to AIM, the Company is not a listed Company and therefore is not required to comply with the Combined Code. The Board has however adopted the following:

Board committees

The Board has two sub-committees, the Audit Committee and the Remuneration Committee, both of which include the Finance Director.

the Audit Committee

The Audit Committee is chaired by J D G Holme FCA, with its other member being J A Warwick FCA. Any director may attend by invitation. The external auditors may be invited to attend the meetings and have direct access to members of the Committee. The Audit Committee may examine any matters relating to the financial affairs of the Group including reviews of the annual and interim financial statements, announcements, internal control procedures and accounting policies.

the Remuneration Committee

The Remuneration Committee, which is chaired by J D G Holme FCA, reviews the performance of the executive directors, considers and approves all Board and senior executive appointments, remuneration and benefits including share options and service contracts. J A Warwick FCA is the other member of the Committee.

internal financial control

The directors are responsible for the Group's system of internal financial control. A system can only provide reasonable and not absolute assurance regarding:

- the safeguarding of assets against unauthorised use or disposition;
- the minimisation of risk of material loss whilst in pursuit of the Group's business objectives; and
- the maintenance of proper accounting records and the reliability of financial information within the business or for publication.

Due to the size of the Group, a key control procedure during the year was the close day-to-day supervision by the executive directors.

auditor independence

The Audit Committee reviews the services provided by the external auditors at least on an annual basis. This review includes consideration of the confirmation of independence which the external auditors provide to the Company on an annual basis and of the services which they provide to the Group, in order to ensure that their independence is not compromised.

relations with shareholders

The directors seek to ensure that all shareholders are kept informed about the Group and its activities. A comprehensive annual report and accounts and an interim report are sent to shareholders and there is frequent dialogue with institutional investors. The Annual General Meeting provides shareholders with the opportunity to meet and question directors. Details of the resolutions to be proposed at the Annual General Meeting, to be held on 4 August 2011, are set out in the notice of Annual General Meeting which is attached to this report.

going concern

The directors consider, after making appropriate enquiries, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

independent auditors' report to the members of PSG Solutions plc

For the year ended 31 March 2011

We have audited the financial statements of PSG Solutions plc for the year ended 31 March 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mr Nigel Fry (Senior Statutory Auditor)

For and on behalf of Milsted Langdon LLP
Chartered Accountants and Statutory Auditors
Taunton
11 July 2011

consolidated income statement

For the year ended 31 March 2011

	Note	2011 £	2010 £
Revenue	2	10,678,588	11,027,542
Cost of sales		(4,811,309)	(5,019,553)
Gross profit		5,867,279	6,007,989
Administrative expenses		(4,756,640)	(4,814,105)
Operating profit before exceptional items		1,110,639	1,193,884
Exceptional administrative expenses	3	–	(4,410,200)
Operating profit/(loss)	4	1,110,639	(3,216,316)
Finance costs	8	(276)	(5,202)
Finance income	9	28,770	35,851
Profit/(loss) on ordinary activities before taxation		1,139,133	(3,185,667)
Income tax expense	10	(154,069)	(270,333)
Profit/(loss) on ordinary activities after taxation		985,064	(3,456,000)
Basic earnings/(loss) per share	12	3.80p	(13.44)p
Diluted earnings/(loss) per share	12	3.80p	(13.44)p

The consolidated income statement has been prepared on the basis that all operations are continuing operations.

consolidated statement of comprehensive income

For the year ended 31 March 2011

The profit/(loss) on ordinary activities after taxation represents the Group's total comprehensive income for the year.

The notes on pages 16 to 32 form part of these financial statements.

statements of changes in equity

For the year ended 31 March 2011

Group	Share capital £	Retained earnings £	Share premium £	Special reserve £	Total equity £
At 1 April 2009	5,436,648	4,869,142	–	8,529,769	18,835,559
Issue of shares	70,000	–	5,250	–	75,250
Transfer	–	8,529,769	–	(8,529,769)	–
Total comprehensive income for the year	–	(3,456,000)	–	–	(3,456,000)
At 31 March 2010	5,506,648	9,942,911	5,250	–	15,454,809
Total comprehensive income for the year	–	985,064	–	–	985,064
At 31 March 2011	5,506,648	10,927,975	5,250	–	16,439,873

Company	Share capital £	Retained earnings £	Share premium £	Special reserve £	Total equity £
At 1 April 2009	5,436,648	1,477,882	–	8,529,769	15,444,299
Issue of shares	70,000	–	5,250	–	75,250
Transfer	–	8,529,769	–	(8,529,769)	–
Total comprehensive income for the year	–	(2,540,508)	–	–	(2,540,508)
At 31 March 2010	5,506,648	7,467,143	5,250	–	12,979,041
Total comprehensive income for the year	–	(1,911)	–	–	(1,911)
At 31 March 2011	5,506,648	7,465,232	5,250	–	12,977,130

The notes on pages 16 to 32 form part of these financial statements.

consolidated statement of financial position

As at 31 March 2011

	Note	2011		2010	
		£	£	£	£
Non-current assets					
Goodwill	13		9,114,433		9,114,433
Other intangible assets	14		496,458		370,059
Property, plant and equipment	15		903,367		687,303
			10,514,258		10,171,795
Current assets					
Inventories	18	1,149,526		773,385	
Trade and other receivables	19	4,074,172		2,046,439	
Current tax asset		38,335		–	
Cash and cash equivalents		3,157,887		4,466,622	
		8,419,920		7,286,446	
Current liabilities					
Trade and other payables	21	(2,403,165)		(1,801,652)	
Current tax liability		(46,005)		(148,879)	
		(2,449,170)		(1,950,531)	
Net current assets			5,970,750		5,335,915
Total assets less current liabilities			16,485,008		15,507,710
Non-current liabilities					
Other payables	21		–		(25,000)
Deferred tax	22		(45,135)		(27,901)
Net assets			16,439,873		15,454,809

Represented by:

Capital and reserves attributable to equity holders

Called up share capital	23	5,506,648		5,506,648	
Share premium account		5,250		5,250	
Retained earnings		10,927,975		9,942,911	
Total equity		16,439,873		15,454,809	

Approved by the Board on 11 July 2011.

Jonathan Mervis

Director

John Warwick

Director

The notes on pages 16 to 32 form part of these financial statements.

company statement of financial position

As at 31 March 2011

	Note	2011		2010	
		£	£	£	£
Non-current assets					
Property, plant and equipment	15		41,622		46,776
Investments in subsidiaries	16		12,491,613		12,590,613
			12,533,235		12,637,389
Current assets					
Trade and other receivables	19	18,192		114,059	
Cash and cash equivalents		880,922		640,013	
		899,114		754,072	
Current liabilities					
Trade and other payables	21	(455,219)		(412,420)	
Net current assets			443,895		341,652
Net assets			12,977,130		12,979,041

Represented by:

Capital and reserves attributable to equity holders

Called up share capital	23	5,506,648		5,506,648	
Share premium account		5,250		5,250	
Retained earnings		7,465,232		7,467,143	
Total equity		12,977,130		12,979,041	

Approved by the Board on 11 July 2011.

Jonathan Mervis

Director

John Warwick

Director

The notes on pages 16 to 32 form part of these financial statements.

statements of cash flows

For the year ended 31 March 2011

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Cash flows from operating activities				
Profit/(loss) before taxation	1,139,133	(3,185,667)	(1,911)	(2,559,423)
Adjustments for:				
Depreciation of property, plant and equipment	199,368	143,497	5,154	6,909
Amortisation of goodwill/ investment write down	-	4,500,000	-	3,000,000
Amortisation of other intangible assets	375,826	367,589	-	-
Loss on disposal of tangible assets	7,079	5,534	-	-
Profit on disposal of assets held for sale	-	(89,800)	-	(89,800)
Interest expense	276	5,202	-	5,006
Interest receivable	(28,770)	(35,851)	(7,386)	(7,833)
Dividends receivable	-	-	(151,003)	(500,010)
Changes in working capital:				
(Increase)/decrease in receivables	(2,027,733)	226,279	95,867	27,207
Increase in inventories	(376,141)	(23,577)	-	-
Increase/(decrease) in payables	576,513	200,450	42,799	(39,668)
Cash (used in)/generated from operations	(134,449)	2,113,656	(16,480)	(157,612)
Interest paid	(276)	(5,202)	-	(5,006)
Income tax paid	(278,044)	(269,649)	-	(55,308)
Net cash (used in)/generated from operating activities	(412,769)	1,838,805	(16,480)	(217,926)
Cash flows from investing activities				
Purchase of subsidiary undertakings	-	(377,265)	-	-
Cash acquired in subsidiary undertakings	-	2,252	-	-
Realisation of investment in subsidiary undertakings	-	-	99,000	-
Payment to acquire goodwill	-	(135,000)	-	-
Purchase of tangible assets	(442,926)	(246,151)	-	-
Purchase of other intangible assets	(502,225)	(269,098)	-	-
Proceeds from the sale of tangible assets	20,415	15,780	-	-
Proceeds from the sale of assets held for sale	-	389,800	-	389,800
Dividends received	-	-	151,003	500,010
Interest received	28,770	35,851	7,386	7,833
Net cash (used in)/generated from investing activities	(895,966)	(583,831)	257,389	897,643
Cash flows from financing activities				
Payment of debt	-	(1,123,275)	-	(1,123,275)
Net cash used in financing activities	-	(1,123,275)	-	(1,123,275)
Net (decrease)/increase in cash and cash equivalents	(1,308,735)	131,699	240,909	(443,558)
Cash and cash equivalents at beginning of period	4,466,622	4,334,923	640,013	1,083,571
Cash and cash equivalents at end of period	3,157,887	4,466,622	880,922	640,013

The notes on pages 16 to 32 form part of these financial statements.

note to the statements of cash flows

For the year ended 31 March 2011

analysis of net funds

	At 1 April 2010 £	Cash flow £	At 31 March 2011 £
Group			
Cash and cash equivalents	4,466,622	(1,308,735)	3,157,887
	4,466,622	(1,308,735)	3,157,887

	At 1 April 2010 £	Cash flow £	At 31 March 2011 £
Company			
Cash and cash equivalents	640,013	240,909	880,922
	640,013	240,909	880,922

The notes on pages 16 to 32 form part of these financial statements.

notes to the financial statements

For the year ended 31 March 2011

1. accounting policies

PSG Solutions plc, company number 03170812, is domiciled and incorporated in England under the Companies Act 1985.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

There were no new standards adopted by the Group in the current period.

The following interpretations and amendments to existing standards are effective for the current year but the adoption of these interpretations and amendments to existing standards has not led to any changes in the Group's accounting policies.

IFRS 3 (revised)	Business combinations.
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations.
IFRS 8 (amendment)	Operating segments.
IAS 7 (amendment)	Statement of cash flows.
IAS 17 (amendment)	Leases.
IAS 27 (revised)	Consolidated and separate financial statements.
IAS 28 (amendment)	Investments in associates.
IAS 31 (amendment)	Investments in joint ventures.
IAS 32 (amendment)	Financial instruments: presentation – classification of rights issues.
IAS 36 (amendment)	Impairment of assets.
IFRIC 17	Distribution of non-cash assets to owners.
IFRIC 18	Transfer of assets from customers.

The following standards, interpretations and amendments to existing standards are not yet effective and have not been early adopted by the Group.

IFRS 9	Financial instruments.
IAS 24 (amendment)	Related party disclosures.
IFRIC 14 (amendment)	Prepayments of a minimum funding requirement.
IFRIC 19	Extinguishing financial liabilities with equity instruments.

The majority of the amendments made as part of the IASB's annual improvement programme affect accounting periods beginning on or after 1 January 2011. It is not expected that these pronouncements will have a significant impact on the Group's financial statements.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The most significant judgements made relate to assumptions concerning goodwill and share based payments.

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows.

Share based payments are valued using the Black-Scholes option-pricing model assuming a vesting period of 2 years. Actual outcomes could vary.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's financial statements:

(a) consolidation

The consolidated financial statements include those of the Company and its subsidiaries from their date of acquisition. All acquisitions of subsidiaries have been accounted for under the acquisition method of accounting.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

notes to the financial statements

For the year ended 31 March 2011

1. accounting policies (continued)

(b) revenue

Revenue represents amounts receivable for goods and services net of VAT and discount and intra-Group transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, it can be reliably measured and the following criteria are met:

(i) sale of goods

When risks and rewards of ownership of the goods have passed to the customer.

(ii) rendering of services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction.

(c) property, plant and equipment

Property plant and equipment is stated at cost less accumulated depreciation and impairment costs.

Depreciation is provided to write-off the cost less estimated residual value (based on prices prevailing at the date of acquisition) in annual instalments over the estimated useful economic lives of the assets. The depreciation rates used are as follows:

Freehold buildings	2% straight line
Leasehold property	Straight line over the life of the lease
Fixtures, fittings and equipment	15% - 33.3% straight line
Motor vehicles	25% - 40% straight line
Other intangible assets	33.3% straight line

(d) investments

Investments in subsidiary companies are valued at cost less provision for diminution in value.

(e) goodwill

Goodwill represents the difference between the fair value of the consideration paid on the acquisition of a business and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions is capitalised and subjected to annual impairment reviews. Any excess of goodwill over the value in use of the underlying assets is written off to the income statement. The directors consider that the goodwill has an infinite life.

(f) foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is the functional and presentational currency.

The group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. Under the Group's foreign exchange policy, such transactions are recorded at the rate of exchange prevailing at the transaction date.

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the income statement.

(g) leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(h) deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

The deferred tax balance has not been discounted.

(i) liquid resources

Liquid resources are defined as short term bank deposits and cash in hand.

notes to the financial statements

For the year ended 31 March 2011

1. accounting policies (continued)

(j) research and development and web design costs

Research and development expenditure and web design costs, shown as other intangible assets, are written off over the period for which they are estimated to benefit future profitability of the Group but for no longer than 3 years.

(k) inventories

Inventories are stated at the lower of cost and net realisable value using the First in First Out (FIFO) cost basis. Costs include all direct costs incurred in bringing the inventories to their present location and condition, including where appropriate, a proportion of manufacturing overheads. Substantially all of the inventories are valued at cost.

(l) pensions

The pension costs charged represent the contribution payable by the Group in the year.

(m) share based payments

The Group issues equity-settled share based payments to certain directors. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and with a corresponding adjustment to equity.

Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. segmental analysis

Business analysis

	2011			2010		
	Revenue £	Operating profit/(loss) £	Net operating assets/ (liabilities) £	Revenue £	Operating profit/(loss) £	Net operating assets/ (liabilities) £
Property information services	5,032,593	(169,906)	7,616,450	6,202,359	319,050	7,648,278
Financial services	94,081	(40,343)	61,429	200,899	14,674	44,597
Specialist electronics	4,093,905	1,499,458	2,886,083	3,299,339	1,034,652	673,041
Packaging solutions	1,458,009	301,730	2,774,920	1,324,945	246,430	2,658,862
Head office	–	(480,300)	(56,896)	–	(420,922)	(36,591)
	10,678,588	1,110,639	13,281,986	11,027,542	1,193,884	10,988,187
Exceptional items	–	–	–	–	(4,410,200)	–
	10,678,588	1,110,639	13,281,986	11,027,542	(3,216,316)	10,988,187
Interest bearing assets			3,157,887			4,466,622
Net assets			16,439,873			15,454,809

Revenue of property information services and financial services is represented by services rendered and revenue of specialist electronics and packaging solutions is represented by the sale of goods.

The activities of the Group are the sale and operation of property search franchises, the provision of insurance broking services, the manufacture and sale of specialist electronic equipment and the manufacture of flexible packaging products.

notes to the financial statements

For the year ended 31 March 2011

2. segmental analysis (continued)

Net operating assets analysis

	2011			2010		
	Segmental assets	Segmental liabilities	Segmental net operating assets/(liabilities)	Segmental assets	Segmental liabilities	Segmental net operating assets/(liabilities)
	£	£	£	£	£	£
Property information services	8,449,958	(833,508)	7,616,450	8,868,777	(1,220,499)	7,648,278
Financial services	83,284	(21,855)	61,429	63,461	(18,864)	44,597
Specialist electronics	4,169,642	(1,283,559)	2,886,083	1,137,539	(464,498)	673,041
Packaging solutions	3,013,593	(238,673)	2,774,920	2,862,022	(203,160)	2,658,862
Head office	59,814	(116,710)	(56,896)	59,820	(96,411)	(36,591)
	15,776,291	(2,494,305)	13,281,986	12,991,619	(2,003,432)	10,988,187

Additions to non-current assets and non-cash expenses

	2011			2010		
	Additions to non-current assets	Depreciation and amortisation	Impairment	Additions to non-current assets	Depreciation and amortisation	Impairment
	£	£	£	£	£	£
Property information services	132,084	(221,713)	–	891,732	(204,120)	(4,500,000)
Financial services	–	(404)	–	546	(560)	–
Specialist electronics	808,177	(322,358)	–	203,400	(265,536)	–
Packaging solutions	4,890	(32,644)	–	7,083	(39,495)	–
Head office	–	(5,154)	–	–	(6,909)	–
	945,151	(582,273)	–	1,102,761	(516,620)	(4,500,000)

Geographical information

The Group operates in 4 main geographical areas although they are managed on a worldwide basis. Revenue is split as follows:-

	2011	2010
	£	£
United Kingdom	10,165,578	8,610,693
Asia and Middle East	141,832	1,792,760
Europe	215,048	415,906
Other	156,130	208,183
	10,678,588	11,027,542

3. exceptional administrative (expenses)/credits

	2011	2010
	£	£
Impairment charge – property information services	–	(4,500,000)
Surplus on disposal of Avatar Systems Inc	–	89,800
	–	(4,410,200)

There is no tax effect of the above exceptional administrative (expenses)/credits.

notes to the financial statements

For the year ended 31 March 2011

4. operating profit/(loss)

	2011	2010
	£	£
Operating profit/(loss) is stated after charging:		
Auditors' remuneration:		
– audit	82,208	80,808
– other services	3,845	3,750
Depreciation	199,368	143,497
Amortisation of other intangible assets	375,826	367,589
Loss on disposal of fixed assets	7,079	5,534
Loss on exchange differences	89	101
Operating lease rentals:		
– plant and machinery	14,596	33,186
– other assets	302,475	269,657
Hire of plant and machinery	621	2,714
Exceptional administrative expenses – Note 3	–	4,410,200
Research and development	507,367	218,769

Remuneration of the Group's auditors for provision of non audit services includes taxation advice. Non audit fees payable to Milsted Langdon LLP amounted to £2,000 (2010: £1,725). Remuneration for audit services amounted to £30,000 (2010: £26,711).

The auditors' remuneration for audit services includes £13,283 (2010: £12,377) attributable to the audit of Audiotel International Limited; £8,750 (2010: £8,420) attributable to the audit of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited; £27,025 (2010: £28,850) attributable to the audit of PSG Franchising Limited, PSG Yorkshire Limited, PSG Energy Limited, PSG Marketing Limited, Chalenor Legal Services Limited and Yorkshire Home Inspections Limited and £3,150 (2010: £4,450) attributable to the audit of Ufford Insurance PCC Limited, subsidiaries of PSG Solutions plc which are not audited by the Group's principal auditors. The auditors' remuneration for non audit services includes £1,000 (2010: £1,000) payable to the auditors of Audiotel International Limited and £845 (2010: £1,025) payable to the auditors of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited.

5. staff costs

	2011	2010
	£	£
Staff costs are as follows:		
Wages and salaries	3,004,398	3,071,916
Social security costs	303,497	295,596
Pension contributions	53,378	63,894
	3,361,273	3,431,406

The average number of persons employed by the Group including directors was:

	2011	2010
	Number	Number
Administration	18	17
Production	54	71
Research and development	10	6
Sales and marketing	7	8
	89	102

notes to the financial statements

For the year ended 31 March 2011

6. pension costs

The Group operates a defined contribution pension scheme in respect of its directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £53,378 (2010: £63,894).

7. directors' remuneration

	Salaries £	Bonus £	Pension contribution £	Other benefits £	2011 Total £	2010 Total £
Executive directors						
J P Mervis	60,000	20,000	–	–	80,000	75,000
J A Warwick	48,000	20,000	–	–	68,000	63,000
T M Brown	50,000	25,000	2,500	7,699	85,199	75,051
B C Connor	135,000	70,000	–	1,192	206,192	136,087
Non-executive directors						
J D G Holme	18,750	–	–	–	18,750	18,750
	311,750	135,000	2,500	8,891	458,141	367,888

In the year to 31 March 2011 costs of the share option scheme amounted to £Nil (2010: £Nil).

8. finance costs

	2011 £	2010 £
Interest payable on bank loans and overdrafts	–	5,014
Interest on late payment of corporation tax	276	188
	276	5,202

9. finance income

	2011 £	2010 £
Bank interest	28,761	33,157
Other interest	9	2,694
	28,770	35,851

10. income tax expense

	2011 £	2010 £
UK corporation tax at 28% (2010: 28%)	157,670	269,661
Overprovision in prior year	(20,835)	(27,229)
Current tax expense	136,835	242,432
Deferred tax charge	17,234	27,901
	154,069	270,333

notes to the financial statements

For the year ended 31 March 2011

10. income tax expense (continued)

The tax for the year is lower than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below:

	2011 £	2010 £
Profit/(loss) on ordinary activities before taxation	1,139,133	(3,185,667)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	318,957	(891,987)
Effects of:		
Expenses not deductible for tax purposes	4,121	7,714
Depreciation less than capital allowances	(19,606)	(44,484)
Impairment charge not deductible for tax purposes	–	1,241,799
Marginal rate relief and lower tax rate in other jurisdictions	(39)	(3,038)
Research and development relief	(106,548)	(45,941)
Overprovision in prior year	(20,835)	(27,229)
Other tax adjustments	(39,215)	5,598
Deferred tax charge	17,234	27,901
	154,069	270,333

The Group has a carried forward loss for capital gains purposes amounting to £2,776,540 (2010: £2,777,265).

11. loss of parent company

	2011 £	2010 £
Loss on ordinary activities after taxation	(1,911)	(2,540,508)

12. earnings/(loss) per share

Basic earnings/(loss) per share is calculated on the Group profit for the financial year of £985,064 (2010: loss £3,456,000) and on 25,907,657 ordinary shares, being the weighted average number of shares in issue in the year (2010: 25,713,958). Diluted earnings/(loss) per share is calculated on the Group profit for the financial year and on 25,907,657 ordinary shares, being the weighted average number of shares in issue during the year adjusted to take account of shares under option (2010: 25,713,958). The shares under option did not have a dilutive effect in the two years to 31 March 2011.

notes to the financial statements

For the year ended 31 March 2011

13. goodwill

Group	£
Cost	
At 1 April 2009	14,040,242
Additions	587,513
At 31 March 2010	14,627,755
Additions	–
At 31 March 2011	14,627,755
Impairment	
At 1 April 2009	1,013,322
Charge for year	4,500,000
At 31 March 2010	5,513,322
Charge for year	–
At 31 March 2011	5,513,322
Net book value	
At 31 March 2011	9,114,433
At 31 March 2010	9,114,433

The additions to the cost of goodwill represented £452,513 in respect of the acquisition cost of Chalenor Legal Services Limited and Yorkshire Home Inspections Limited and £135,000 in respect of the acquisition of the goodwill of the Enfield franchise.

Goodwill acquired through acquisition has been allocated to individual cash generating units ('CGUs') for impairment testing. These are independent income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The carrying value of goodwill is as follows:

	2011 £	2010 £
Property information services	6,954,233	6,954,233
Packaging solutions	2,087,058	2,087,058
Specialist electronics	73,142	73,142
	9,114,433	9,114,433

Cumulative goodwill written off against reserves is £5,513,322 (2010: £5,513,322).

Goodwill is reviewed annually or when other events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond this five year period are extrapolated using a growth rate of 2.25% which does not exceed the long term average growth for the United Kingdom. The key assumptions in these calculations are as follows:

- The achievement of budgeted operating profit over the next 5 years (2010: 5 years).
- A growth rate of 2.25% for the final 5 years (2010: 2.25%).
- The cash flows were discounted using a pre-tax discount rate of 5.0% (2010: 5.0%).

Sensitivity analysis:

The value in use calculations in respect of the property information services division is dependant on the budgeted number of housing market property transactions being achieved. If a reasonable change in the level of housing market property transactions was realised, namely a fall of 23% or less from those budgeted, and all other variables remained stable the carrying value of the goodwill in relation to the property information services division would not be further impaired.

notes to the financial statements

For the year ended 31 March 2011

13. goodwill (continued)

The assumed national annual housing market property transactions used as a basis within the impairment calculations are never in excess of the national average for the 23 years to 31 March 2008 of 1,100,000. The budgeted operating profit over the next 5 years assumes that the number of housing transactions increase from the present level of 650,000 per annum. Each 100,000 increase in the level of housing transactions should benefit the operating profit by not less than £150,000.

The value in use calculations in respect of the packaging solutions division and the decision that the CGU is not impaired is dependent upon the budgeted sales being achieved. If a reasonable change in the level of sales was realised, namely a fall of 6% from those budgeted and all other variables remained stable the carrying value of the goodwill in relation to the packaging solutions division would not be impaired.

14. other intangible assets

Group	Web design costs £	Development costs £	Total £
Cost			
At 1 April 2009	409,545	698,777	1,108,322
Additions	93,634	175,464	269,098
At 31 March 2010	503,179	874,241	1,377,420
Additions	96,331	405,894	502,225
Disposals	(182,300)	(260,734)	(443,034)
At 31 March 2011	417,210	1,019,401	1,436,611
Amortisation			
At 1 April 2009	262,635	377,137	639,772
Charge for year	129,570	238,019	367,589
At 31 March 2010	392,205	615,156	1,007,361
Charge for year	90,573	285,253	375,826
Disposals	(182,300)	(260,734)	(443,034)
At 31 March 2011	300,478	639,675	940,153
Net book value			
At 31 March 2011	116,732	379,726	496,458
At 31 March 2010	110,974	259,085	370,059

The components of other intangible assets are £116,732 in respect of web design costs for the property information services business segment and £379,726 in respect of development costs for the specialised electronics business segment. Other intangible assets are amortised on a straight line basis at 33.3% per annum. All other intangible assets are internally generated. In the consolidated income statement the amortisation charge is included within administrative expenses.

notes to the financial statements

For the year ended 31 March 2011

15. property, plant and equipment

Group	Freehold land and buildings £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2009	190,474	86,724	886,245	39,365	1,202,808
Additions	–	–	25,781	220,370	246,151
Disposals	–	–	(42,005)	(28,478)	(70,483)
At 31 March 2010	190,474	86,724	870,021	231,257	1,378,476
Additions	–	–	413,201	29,725	442,926
Disposals	–	–	(39,377)	(19,084)	(58,461)
At 31 March 2011	190,474	86,724	1,243,845	241,898	1,762,941
Depreciation					
At 1 April 2009	19,269	40,175	526,807	10,594	596,845
Charge for year	4,071	4,168	104,587	30,671	143,497
Disposals	–	–	(31,038)	(18,131)	(49,169)
At 31 March 2010	23,340	44,343	600,356	23,134	691,173
Charge for year	4,071	3,004	132,145	60,148	199,368
Disposals	–	–	(26,676)	(4,291)	(30,967)
At 31 March 2011	27,411	47,347	705,825	78,991	859,574
Net book value					
At 31 March 2011	163,063	39,377	538,020	162,907	903,367
At 31 March 2010	167,134	42,381	269,665	208,123	687,303

notes to the financial statements

For the year ended 31 March 2011

15. property, plant and equipment (continued)

Company	Leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2009	59,052	44,228	103,280
Additions	–	–	–
Disposals	–	–	–
At 31 March 2010	59,052	44,228	103,280
Additions	–	–	–
Disposals	–	(8,572)	(8,572)
At 31 March 2011	59,052	35,656	94,708
Depreciation			
At 1 April 2009	12,504	37,091	49,595
Charge for year	4,168	2,741	6,909
Disposals	–	–	–
At 31 March 2010	16,672	39,832	56,504
Charge for year	3,004	2,150	5,154
Disposals	–	(8,572)	(8,572)
At 31 March 2011	19,676	33,410	53,086
Net book value			
At 31 March 2011	39,376	2,246	41,622
At 31 March 2010	42,380	4,396	46,776

notes to the financial statements

For the year ended 31 March 2011

16. investments in subsidiaries

Company	£
Cost	
At 31 March 2009 and 31 March 2010	16,599,087
Disposals	(99,000)
At 31 March 2011	16,500,087
Provision for impairment in value	
At 1 April 2009	1,008,474
Impairment charge	3,000,000
At 31 March 2010	4,008,474
Disposals	–
At 31 March 2011	4,008,474
Net book value	
At 31 March 2011	12,491,613
At 31 March 2010	12,590,613

subsidiaries

	Shares	Total £
Audiotel International Limited	69,114	1,432,412
Rochdale Development Company Limited	357,500	2,329,874
PSG Franchising Limited	180	8,590,788
Patersons Financial Services Limited	40,002	137,539
Ufford Insurance PCC Limited	1,000	1,000
At 31 March 2011		12,491,613

notes to the financial statements

For the year ended 31 March 2011

17. subsidiary undertakings

The Company holds 100% of the share capital and voting rights of the following companies:

Name of subsidiary held directly	Nominal value of issued ordinary share capital £	Date acquired	Principal activity	Country of incorporation
Rochdale Development Company Limited	357,500	15 April 2004	Holding company	England
Audiotel International Limited	69,114	31 January 2003	Electronics	England
PSG Franchising Limited	180	25 June 2004	Property information services	England
Patersons Financial Services Limited	40,002	1 January 2005	Insurance services	England
PSG Marketing Limited	2	23 August 2005	Non-trading	England
PSG Financial Services Limited	1	19 April 2005	Non-trading	England
Ufford Insurance PCC Limited	1,000	11 May 2005	Insurance services	Guernsey
Held indirectly				
Moore & Buckle (Flexible Packaging) Limited		15 April 2004	Flexible packaging	England
Audiotel (UK) Limited		5 January 2000	Non-trading	England
Security Research Limited		29 January 2003	Non-trading	England
PSG Yorkshire Limited		1 February 2006	Property information services	England
PSG Energy Limited		6 September 2007	Energy surveys	England
Chalenor Legal Services Limited		19 October 2009	Non-trading	England
Yorkshire Home Inspections Limited		19 October 2009	Non-trading	England

Moore & Buckle (Flexible Packaging) Limited is a wholly owned subsidiary of Rochdale Development Company Limited. Audiotel (UK) Limited and Security Research Limited are wholly owned subsidiaries of Audiotel International Limited. PSG Yorkshire Limited, PSG Energy Limited, Chalenor Legal Services Limited and Yorkshire Home Inspections Limited are wholly owned subsidiaries of PSG Franchising Limited.

18. inventories

Group	2011 £	2010 £
Raw materials and consumables	739,335	546,625
Work in progress	318,034	160,544
Finished goods and goods for resale	92,157	66,216
	1,149,526	773,385

The cost of inventories recognised as an expense during the year was £1,664,231 (2010: £1,491,379).

notes to the financial statements

For the year ended 31 March 2011

19. trade and other receivables

Group	2011 £	2010 £
Trade receivables		
Current unimpaired	3,762,499	1,589,413
Overdue unimpaired	168,863	161,270
Less: allowance for doubtful debts	(92,907)	(78,652)
	75,956	82,618
Net trade receivables	3,838,455	1,672,031
Prepayments and accrued income	235,501	350,375
Other receivables	216	4,556
Other taxes	-	19,477
	4,074,172	2,046,439

Current unimpaired trade and other receivables represents amounts due from customers that are not overdue in accordance with specific credit terms agreed with those customers.

The age profile of trade receivables that are past due but not impaired is as follows:

	2011 £	2010 £
Up to 60 days	-	4,016
Between 60 and 90 days	41,777	53,590
Between 90 and 120 days	8,447	18,167
Over 120 days	25,732	6,845
	75,956	82,618

The allowance for doubtful debts is based upon past default experience. Debts with customers in liquidation or receivership are fully provided against. The movement in the provision during the year was as follows:

	2011 £	2010 £
Balance at 1 April	78,652	351,151
Net amounts written off in year	(73,301)	(166,500)
Income statement charged/(credited)	87,556	(105,999)
Balance at 31 March	92,907	78,652

Company	2011 £	2010 £
Prepayments and accrued income	18,192	13,044
Amounts owed by group undertakings	-	101,015
	18,192	114,059

The above debtors fall due within one year.

20. deferred tax asset

The Group holds losses for capital gains purposes amounting at 31 March 2011 to £2,776,540 (2010: £2,777,265). No deferred tax asset is recognised in respect of these capital losses.

notes to the financial statements

For the year ended 31 March 2011

21. trade and other payables

Group	2011 £	2010 £
Current		
Trade payables	900,178	574,634
Other payables	14,765	177,820
Other taxes and social security	751,313	322,323
Accruals and deferred income	736,909	726,875
	2,403,165	1,801,652
Non-current		
Other payables	–	25,000
	–	25,000

Company	2011 £	2010 £
Current		
Trade payables	349	2,757
Amounts owed to group undertakings	345,500	323,000
Other taxes and social security	51,236	30,231
Accruals and deferred income	58,134	56,432
	455,219	412,420

22. deferred tax

Group	2011 £	2010 £
Movement		
At 1 April	27,901	–
Charge in year	17,234	27,901
At 31 March	45,135	27,901

Charge in year

Accelerated capital allowances	17,234	27,901
	17,234	27,901

23. share capital

	2011		2010	
	Number	£	Number	£
Authorised				
Ordinary shares of 20p each	35,000,000	7,000,000	35,000,000	7,000,000
Allotted and called up				
Fully paid ordinary shares of 20p each	27,533,240	5,506,648	27,533,240	5,506,648

Currently 1,625,583 ordinary shares are held in treasury representing 5.90% of the Company's issued share capital. The number of ordinary shares of 20p each that the Company has in issue less the total number of treasury shares following the purchase is 25,907,657.

notes to the financial statements

For the year ended 31 March 2011

24. share options

At 31 March 2011 share options were held by directors in respect of 2,180,000 shares analysed as follows:

Name	Number of shares	Option price per share	Exercisable
J P Mervis	1,200,000	50p	14/02/2008 – 14/02/2013
J A Warwick	350,000	50p	14/02/2008 – 14/02/2013
T M Brown	300,000	50p	14/02/2008 – 14/02/2013
T M Brown	30,000	72p	02/04/2009 – 02/04/2017
B C Connor	300,000	72p	02/04/2009 – 02/04/2017

No options were granted or lapsed during the year.

It is the Board's intention to keep the number of options outstanding at no more than 10% of the issued share capital.

share based payments

The options for directors were introduced in February 2006 and April 2007. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 5 years or 8 years following the vesting period. There are no reload features. The Company has made grants on 14 February 2006 of 1,850,000 options and on 2 April 2007 of 330,000 options. Exercise of an option is dependant on continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The expected dividends factored into the model are £Nil. The fair value per option granted and the assumptions used in the calculation are as follows:

	Grant date 2 April 2007	Grant date 14 February 2006
Share price at grant date	72p	50p
Exercise price	72p	50p
Number of directors	2	3
Shares under option	330,000	1,850,000
Vesting period	2 years	2 years
Expected volatility	60%	60%
Option life (years)	10	7
Risk free rate	5.37%	4.44%
Fair value per option	26.2p	17.9p

The expected volatility is based on historical volatility over the year preceding the grant of options. The risk free rate of return is the yield on zero-coupon UK government bonds issued consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2011 is shown below.

	2011	2010
	Number of shares	Number of shares
Outstanding at 1 April	2,180,000	2,180,000
Granted	–	–
	2,180,000	2,180,000
Lapsed	–	–
Outstanding at 31 March	2,180,000	2,180,000
Exercisable at 31 March	2,180,000	2,180,000

The weighted average fair option price is 53.3p (2010: 53.3p).

The total charge for the year relating to employee share based payment plans was £Nil (2010: £Nil) all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £Nil (2010: £Nil).

notes to the financial statements

For the year ended 31 March 2011

25. financial instruments

capital management

The Group finances its operations through retained earnings and the management of working capital.

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity, foreign exchange rates and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for operations and planned expansions.

(b) foreign exchange risk

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. The level of risk is insignificant.

(c) credit risk

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating financial risk from defaults. Nevertheless risk has increased due to the current economic circumstances.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk, other than with a government department, with exposure spread over a large number of customers. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The directors consider that the maximum exposure of the Group to credit risk to be the current assets of the Group excluding inventories.

At 31 March 2011 the Group had financial assets as follows:

	2011 £	2010 £
Cash at bank	3,157,887	4,466,622

The rate of interest receivable on financial assets is variable.

fair values of financial assets

The fair value is an amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The fair value of cash deposits approximates to the carrying amount because of the short maturity of these instruments.

26. financial commitments

The Group leases various properties and other items such as vehicles under non-cancellable operating lease agreements. The total future minimum lease payments under non-cancellable operating leases are as follows:

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Group				
Within one year	214,466	5,775	290,331	37,710
In the second to fifth year	464,469	13,189	541,924	14,263
After five years	459,000	–	567,000	642
	1,137,935	18,964	1,399,255	52,615

notice of annual general meeting

For 2011

Notice is given to all shareholders that the Annual General Meeting of PSG Solutions plc (“the Company”) for 2011 will be held at the offices of the Company, 133 Ebury Street, London SW1W 9QU on 4 August 2011 at 12 noon for the transaction of the following business. Resolutions 1 to 5 inclusive will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions:

ordinary business

1. To receive the Company’s annual accounts for the financial year ended 31 March 2011 together with the directors’ report and the auditors’ report on those accounts.
2. To re-appoint J P Mervis as director of the Company, who retires under Article 93 at the Annual General Meeting.
3. To re-appoint B C Connor as director of the Company, who retires under Article 93 at the Annual General Meeting.
4. To re-appoint Milsted Langdon LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine the auditors’ remuneration.

special business

5. That the directors be generally and unconditionally authorised, pursuant to Section 551 of the Companies Act 2006 (“the Act”), to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £1,493,352 provided that:
 - 5.1 this authority shall expire 15 months from the date of this resolution or at the Company’s next Annual General Meeting, if earlier; and
 - 5.2 that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement notwithstanding that the authority conferred hereby has expired and that this authority shall be in substitution of all previous authorities conferred upon the directors pursuant to the said Section 551.
6. That, subject to the passing of resolution 5 above, the directors be and they are hereby empowered pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) of the Company for cash pursuant to the general authority granted in resolution 5 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - 6.1 the allotment of equity securities in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares and other persons entitled to participate therein in proportion to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;
 - 6.2 the allotment (otherwise than pursuant to 6.1 above) of equity securities up to an aggregate nominal amount of £1,101,330 (being approximately 20% of the current issued ordinary share capital of the Company);and such power shall expire 15 months from the date of this resolution or at the Company’s next Annual General Meeting, if earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
7. That, subject to passing the above resolutions 5 and 6 above, the Company be generally and unconditionally authorised for the purpose of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of ordinary shares of 20p each in the capital of the Company (‘Ordinary Shares’) on such terms and in such manner as the directors of the Company may from time to time determine provided that:
 - 7.1 The maximum number of Ordinary Shares hereby authorised to be purchased is 11,013,296 (representing 40% of the Company’s issued Ordinary Share capital);
 - 7.2 The amount paid for each such share shall not be more than 5% above the average of the middle market quotation for Ordinary Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange plc for the 10 Business Days immediately preceding the date on which the contract for purchase is made, and in any event not less than 20p per Ordinary Share; and

notice of annual general meeting

For 2011

7.3 The authority herein contained shall expire in 15 months or at the conclusion of the next Annual General Meeting if earlier provided that the Company may before such expiry make a contract for the purchase of Ordinary Shares under the authority which would or might be executed wholly or partly after the expiry of this authority and may make purchases of Ordinary Shares in pursuance of such contract as if the authority hereby conferred had not expired.

By order of the Board

John Warwick

Company Secretary
11 July 2011
133 Ebury Street
London
SW1W 9QU

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to exercise all or any of his rights to attend speak and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy if each proxy is appointed to exercise the rights attaching to different shares held by the member. To appoint more than one proxy, please contact the Company's Registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.
2. A form of proxy is provided. To be effective, the form of proxy must be received at the office of Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time fixed for the Annual General Meeting. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the meeting.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the date of the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not less than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
5. As at 4 July 2011, the Company's issued share capital comprised 27,533,240 ordinary shares of 20p each of which 1,625,583 are held in treasury. Each ordinary share (other than those held in treasury) carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights as at 4 July 2011 is 25,907,657.



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