



PSG Solutions plc

INTERIM REPORT 2010

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corporate synopsis

PSG Solutions plc ('The Group') comprises Property Information Services Businesses ('PSG'), Audiotel International Limited ('Audiotel') and Moore & Buckle (Flexible Packaging) Limited ('M&B').

PSG is a major provider of residential property searches, and Energy Performance Certificates ('EPCs') to both the residential and commercial property marketplace in England and Wales. PSG trades both through its expanded wholly owned operation based in Yorkshire and its national network of PSG Brand Franchisees across England and Wales.

Audiotel is a leading manufacturer and supplier of audio surveillance and counter surveillance equipment mainly supplying state agencies. It has a portfolio of products and brands that are internationally respected.

M&B provides specialist bespoke flexible packaging solutions.

highlights

- Group loss before taxation £315,000 (2009: profit £349,000).
- PSG's operating loss was £197,000 (2009: profit £289,000). The reduction in profitability reflects the continued low level of residential property transactions, a squeeze on margins and the abolition of Home Information Packs ('HIPs').
- Audiotel's operating loss was £67,000 (2009: profit £78,000). The decline in profitability was largely due to the reduced budgets of many of Audiotel's long standing customers.
- M&B's operating profits increased to £142,000 (2009: £106,000).
- Net cash was £3.4m (2009: £4.1m).

chairman's statement

for the six months ended 30 September 2010

PSG

PSG has maintained its position as one of the leading suppliers of personal searches and related products required by home purchasers. These include environmental reports, chancel checks and a variety of other reports relevant to particular geographical areas. However, thinner margins, the continuing low volume of residential property transactions, some continuing restrictions in accessing local authority records and the abolition of HIPs made trading difficult. The demise of HIPs, whilst well flagged, happened much more quickly than anticipated and removed at a stroke a substantial volume of business. PSG was obliged to review and reduce its cost base in order to meet these challenges.

The current strategy is to ensure that PSG can trade profitably in the future and to build the business in a commercial environment where there is unlikely to be any further substantial regulatory action that impinges upon trading. A benefit flowing from the demise of HIPs has been a move away from the reliance on estate agents and a steady return to the ordering of local searches by solicitors who have been PSG's traditional customers. Their concern for quality and accountability fits well with PSG's hands-on bespoke service.

Future emphasis will be on the regular enhancement of the products on offer and the development through PSG Connect of on-line support systems for seamless delivery thereof. PSG Convey is an innovative software solution which allows estate agents and solicitors to work together to manage the key stages in the conveyancing process.

The performance of PSG Energy has been disappointing due to the absence of a properly regulated market place which would create a more relevant report on the energy aspects of a property. The EPC is generally considered to be of minimal value or commercial relevance. There is no effective system for enforcement. After the end of the financial period PSG Energy has been restructured to enhance its ability to trade profitably.

At some point in the future the Department for Communities and Local Government and the Department for the Environment and Climate Change is expected to put in place appropriate regulations for enforcing compliant and relevant property energy reports. This would be to the benefit of PSG Energy's operations.

Audiotel

Audiotel's operating loss of £67,000 reflects the general reduction in spending by its traditional public body customers. Since 30 September the order book has increased substantially and there is the prospect of securing a further major contract.

chairman's statement (continued)

for the six months ended 30 September 2010

M&B

M&B's operating profit of £142,000 (2009: £106,000) was a significant improvement on the first half of the previous financial year, despite challenging trading conditions.

Cash

The intention to return cash to shareholders remains under review.

Outlook

Although the trading performance of PSG has been poor, significant steps have been taken to eliminate losses. At the same time progress has been made in providing additional support to the franchisees and in developing on-line systems which will assist in today's difficult markets.

Audiotel has been heavily focused on developing a suite of new products which it believes will be particularly attractive to several major customers.

M&B's trading is expected to continue at present levels.

Jonathan Mervis

Chairman

30th November 2010

consolidated income statement

for the six months ended 30 September 2010

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Revenue	4,132	4,774	11,028
Cost of sales	(1,993)	(1,826)	(5,020)
Gross profit	2,139	2,948	6,008
Administrative expenses	(2,470)	(2,696)	(4,814)
Operating (loss)/profit before exceptional items	(331)	252	1,194
Exceptional administrative credits/(expenses)	–	90	(4,410)
Operating (loss)/profit	(331)	342	(3,216)
Finance costs	–	(5)	(5)
Finance income	16	12	35
(Loss)/profit on ordinary activities before taxation	(315)	349	(3,186)
Income tax credit/(expense)	85	(87)	(270)
(Loss)/profit on ordinary activities after taxation	(230)	262	(3,456)
Basic (loss)/earnings per share	(0.89)p	1.02p	(13.44)p
Diluted (loss)/earnings per share	(0.89)p	1.02p	(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 six months ended 30 September 2010

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

consolidated statement of changes in equity

for the six months ended 30 September 2010

	Share Capital £000	Retained Earnings £000	Share Premium £000	Special Reserve £000	Total £000
At 1 April 2009	5,437	4,869	–	8,530	18,836
Profit for the period	–	262	–	–	262
At 30 September 2009	5,437	5,131	–	8,530	19,098
At 1 October 2009	5,437	5,131	–	8,530	19,098
Issue of shares	70	–	5	–	75
Transfer	–	8,530	–	(8,530)	–
Loss for the period	–	(3,718)	–	–	(3,718)
At 31 March 2010	5,507	9,943	5	–	15,455
At 1 April 2010	5,507	9,943	5	–	15,455
Loss for the period	–	(230)	–	–	(230)
At 30 September 2010	5,507	9,713	5	–	15,225

consolidated statement of financial position

at 30 September 2010

	30 September 2010 Unaudited £000	30 September 2009 Unaudited £000	31 March 2010 Audited £000
Non-current assets			
Goodwill	9,115	13,027	9,115
Other intangible assets	407	436	370
Property, plant and equipment	618	600	687
	10,140	14,063	10,172
Current assets			
Inventories	1,514	894	773
Trade and other receivables	1,714	1,795	2,047
Current tax asset	21	31	–
Cash and cash equivalents	3,454	4,374	4,467
	6,703	7,094	7,287
Current liabilities			
Trade and other payables	(1,590)	(1,423)	(1,802)
Borrowings	–	(263)	–
Current tax liability	–	(373)	(149)
	(1,590)	(2,059)	(1,951)
Net current assets	5,113	5,035	5,336
Total assets less current liabilities	15,253	19,098	15,508
Non-current liabilities			
Deferred tax	(28)	–	(28)
Other payables	–	–	(25)
Net assets	15,225	19,098	15,455
Represented by:			
Capital and reserves attributable to equity holders			
Called up share capital	5,507	5,437	5,507
Share premium account	5	–	5
Special reserve account	–	8,530	–
Retained earnings	9,713	5,131	9,943
Total equity	15,225	19,098	15,455

consolidated statement of cash flows

for the six months ended 30 September 2010

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Cash flows from operating activities			
(Loss)/profit before taxation	(315)	349	(3,186)
Adjustments for:			
Depreciation of property plant and equipment	94	64	143
Amortisation of goodwill/investment write down	–	–	4,500
Amortisation of other intangible assets	191	180	368
Loss on disposal of tangible assets	–	–	6
Profit on disposal of assets held for sale	–	(89)	(89)
Interest expense	–	5	5
Interest receivable	(16)	(12)	(35)
Decrease in receivables	333	429	226
Increase in inventories	(741)	(144)	(24)
(Decrease)/increase in payables	(237)	(164)	200
Cash (used in)/generated from operations	(691)	618	2,114
Interest paid	–	(5)	(5)
Income tax (paid)/received	(85)	90	(270)
Net cash (used in)/generated from operating activities	(776)	703	1,839

consolidated statement of cash flows (continued)

for the six months ended 30 September 2010

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Cash flows from investing activities			
Purchase of subsidiary undertakings	–	–	(377)
Cash acquired in subsidiary undertakings	–	–	3
Payment to acquire goodwill	–	–	(135)
Purchase of tangible assets	(33)	(58)	(246)
Purchase of other intangible assets	(228)	(147)	(269)
Proceeds from sale of tangible assets	8	–	16
Proceeds from assets held for sale	–	389	389
Interest received	16	12	35
Net cash (used in)/generated from investing activities	(237)	196	(584)
Cash flows from financing activities			
Payment of debt	–	(860)	(1,123)
Net cash used in financing activities	–	(860)	(1,123)
Net (decrease)/increase in cash and cash equivalents	(1,013)	39	132
Cash and cash equivalents at beginning of period	4,467	4,335	4,335
Cash and cash equivalents at end of period	3,454	4,374	4,467

Note - analysis of net funds

	30 September 2010 Unaudited £000	30 September 2009 Unaudited £000	31 March 2010 Audited £000
Cash and cash equivalents	3,454	4,374	4,467
Debt due within one year	–	(263)	–
Net funds	3,454	4,111	4,467

notes to the interim financial statements

for the six months ended 30 September 2010

1. general information

The interim financial statements for the six months ended 30 September 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 29 November 2010.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 133 Ebury Street, London SW1W 9QU.

The Company's ordinary shares are admitted to trading on the AIM market of the London Stock Exchange.

The financial information for the six months ended 30 September 2010 set out in this interim report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2010 are extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. basis of preparation

The interim financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union. The information within these interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

3. accounting policies

The principal accounting policies used in preparing the interim financial statements and those the group expects to apply in its financial statements for the year ending 31 March 2011 are unchanged from those disclosed in the statutory financial statements for the year ended 31 March 2010.

notes to the interim financial statements (continued)

for the six months ended 30 September 2010

4. segmental analysis

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Revenue – operating segment			
Property information services	2,695	3,058	6,202
Financial services	47	87	201
Specialist electronics	691	985	3,300
Packaging solutions	699	644	1,325
	4,132	4,774	11,028
Revenue – geographical area			
United Kingdom	3,785	4,029	8,611
Asia and Middle East	64	386	1,793
Europe	140	258	416
Other	143	101	208
	4,132	4,774	11,028

notes to the interim financial statements (continued)

for the six months ended 30 September 2010

4. segmental analysis (continued)

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Operating (loss)/profit			
Property information services	(197)	289	319
Financial services	(33)	(9)	15
Specialist electronics	(67)	78	1,035
Packaging solutions	142	106	246
Head office	(176)	(212)	(421)
Exceptional items	–	90	(4,410)
	(331)	342	(3,216)
Net operating assets			
Property information services	7,720	11,843	7,648
Financial services	55	19	45
Specialist electronics	1,252	578	673
Packaging solutions	2,641	2,722	2,659
Head office	103	(175)	(37)
	11,771	14,987	10,988
Interest bearing assets	3,454	4,374	4,467
Interest bearing liabilities	–	(263)	–
	15,225	19,098	15,455

notes to the interim financial statements (continued)

for the six months ended 30 September 2010

5. exceptional administrative credits/(expenses)

	Six months ended 30 September 2010 Unaudited £000	Six months ended 30 September 2009 Unaudited £000	Year ended 31 March 2010 Audited £000
Impairment charge – property information services	–	–	(4,500)
Surplus on disposal of Avatar Systems Inc	–	90	90
	–	90	(4,410)

6. earnings per share

Basic earnings per share calculations have been arrived at by reference to the following profit and weighted average number of shares in issue during the period. The actual number of shares in issue at 30 September 2010 was 25,907,657.

	Six months ended 30 September 2010	Six months ended 30 September 2009	Year ended 31 March 2010
(Loss)/profit after tax	£(230,000)	£262,000	£(3,456,000)
Weighted average number of shares in issue	25,907,657	25,557,657	25,713,958
Basic (loss)/earnings per share	(0.89)p	1.02p	(13.44)p
Weighted average number of shares in issue adjusted to take account of shares under option	25,907,657	25,557,657	25,713,958
Diluted (loss)/earnings per share	(0.89)p	1.02p	(13.44)p



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