

PSG Solutions plc

INTERIM REPORT 2008

PSG Solutions plc's main business is the Property Search Group ('PSG'). Through its exclusive franchised national distribution channel it is a major provider of residential property search reports to the conveyancing marketplace in England and Wales. It is also one of the leading providers of Home Information Packs ('HIPs') which, in January this year were made a mandatory prerequisite for all home sales. PSG's franchisee network provides a local personalised service that is backed by a well respected National Brand.

Audiotel International Limited ('Audiotel') is Europe's leading brand manufacturer of audio surveillance and audio counter surveillance equipment mainly to state agencies. It has a portfolio of products and brands that are well respected throughout the industry in all parts of the world.

Moore & Buckle (Flexible Packaging) Limited ('M&B') provides specialist engineered flexible packaging solutions.

highlights

- Profit before taxation £1.290m (2007: £1.475m).
- The drop in profits reflected a fall of 50% in PSG's operating profit from £1.556m to £775,000. By contrast Audiotel's operating profits were £469,000 (2007: £45,000 loss). Moore & Buckle's operating profits were £110,000 (2007: £221,000).
- Cash flow remained positive with net cash in excess of £3m at the end of the period.
- PSG has become a leading provider of HIPs, though its share of this market is significantly smaller than for search, due to easier access to the HIPs market for competitors.
- The halving in the number of housing transactions, along with the structural changes as a consequence of HIPs has both reduced volumes and profit margins substantially. The resultant turmoil in the industry will continue to have an even sharper negative effect upon the future trading of both PSG and its competitors.
- PSG is reviewing its strategy and cost base to meet the current challenges to protect its profitability. It has established PSG Energy to provide Energy Assessment related services to both commercial and residential markets utilising the strength of the PSG franchisee network to expand this new operation as quickly as possible.

Copies of the Interim Report will be distributed to shareholders shortly and will also be available on the company's website, www.psgsols.com.

Enquiries

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chairman's statement

for the six months ended 30 September 2008

PSG

As mentioned, PSG has become one of the leading suppliers of HIPs. During the period under review

HIPs have been a mandatory prerequisite for all sales of residential property in England and Wales. Previously PSG's market for Property Searches had been mainly within the gift of around 4,000 high street solicitors, who were PSG's long standing widely dispersed customer base. The HIPs regulations transferred the initiative for ordering a HIP, (which now must include the Property Search within the HIP) mainly to estate agents and chain conveyancers. As a result, PSG no longer has its traditional solicitor customer base for Property Search, and also faces competition from a wide constituency of HIP providers.

At present as the volume of total home sales continues to fall with margins also being squeezed, PSG continues to review its cost base to ensure optimum profitability in the current deteriorating trading conditions.

PSG Energy has been recently established to provide Energy Assessment related services for commercial and domestic properties. PSG's national coverage through its well established network of franchisees should make it well placed to secure new and more profitable business especially in the commercial arena where PSG's infrastructure, size and focus on quality provide it with advantages over a number of other competitors joining the marketplace.

Audiotel

The performance of Audiotel has been more encouraging with an operating profit of around £500,000. This was due to two major orders from Asia for various products in Audiotel's counter surveillance range, and for orders from Canada (Royal Canadian Mounted Police) and the USA for Audiotel's latest "Stealth" surveillance equipment.

Further new developments in Audiotel's counter surveillance range are soon to be released with a new model Scanlock M3 ready to be marketed globally early in 2009. This new model outperforms the Scanlock M2 in many areas and will provide opportunities for new sales and also upgrades to an existing loyal customer base.

Whilst customer orders remain unpredictable, continuous product development has enhanced the prospects for increasing turnover. Orders for the new Stealth Evolution surveillance range have been encouraging emanating from both UK and foreign law enforcement agencies.

Audiotel continues to have the capacity to handle substantially increased turnover on the same cost base.

M & B

Although this niche market packaging solutions business traded profitably, it did so at a reduced level, halving its operating profit during the period.

There is no indication that trading will improve for the full year.

Outlook

The market for search and HIPS remains weak and extremely competitive making it difficult for decent returns to be made.

The early development of PSG Energy should strengthen the overall product offering and enable diversification into new markets although such diversification will not flow through to profits for some time.

The future profitability levels of Audiotel and Moore & Buckle are uncertain due to the downturn in the global economy.

Overall conditions for the Group remain challenging. Whilst results for the first half showed a reasonable level of profitability this is not expected to be repeated in the second half, and thus results for the year to 31 March 2009 will be significantly less than current market expectations.

Jonathan Mervis

Chairman

25th November 2008

consolidated income statement

for the six months ended 30 September 2008

		<i>Six months ended</i>		Six months ended	Year ended
		<i>30 September 2008</i>		30 September 2007	31 March 2008
		<i>Unaudited</i>		Unaudited	Audited
	<i>Notes</i>	£	000	£	000
Revenue					
Continuing operations			6,208	6,772	14,467
Cost of sales			(2,052)	(2,974)	(6,915)
Gross profit			4,156	3,798	7,552
Administrative expenses			(3,018)	(2,314)	(4,342)
Operating profit before exceptional items			1,138	1,484	3,210
Exceptional administrative credits/ (expenses)	4		81	(34)	(28)
Operating profit			1,219	1,450	3,182
Continuing operations			1,219	1,450	3,182
Finance costs			(54)	(74)	(133)
Finance income			125	99	192
Profit on ordinary activities before taxation			1,290	1,475	3,241
Taxation			(405)	(420)	(809)
Profit on ordinary activities after taxation			885	1,055	2,432
Basic earnings per share	5		3.46p	3.92p	9.16p
Diluted earnings per share			3.41p	3.84p	8.99p

The company has no recognised gains or losses other than the profit for the current and prior period/year.

consolidated statement of changes in equity

for the six months ended 30 September 2008

	Share Capital	Retained Earnings	Special reserve	Share Premium	Total
	£	000	£	000	£
	000	000	000	000	000
At 1 April 2007	5,437	2,334	–	8,530	16,301
Purchase of ordinary share capital					
for treasury	–	(176)	–	–	(176)
Share based payments	–	97	–	–	97
Deferred tax on share based payments	–	(1)	–	–	(1)
Net profit for the period	–	1,055	–	–	1,055
At 30 September 2007	5,437	3,309	–	8,530	17,276
At 1 October 2007	5,437	3,309	–	8,530	17,276

Purchase of ordinary share capital					
for treasury	–	(237)	–	–	(237)
Share based payments	–	84	–	–	84
Deferred tax on share based payments	–	(10)	–	–	(10)
Net profit for the period	–	1,377	–	–	1,377
At 31 March 2008	5,437	4,523	–	8,530	18,490
At 1 April 2008	5,437	4,523	–	8,530	18,490
Transfer of share premium to special reserve	–	–	8,530	(8,530)	–
Purchase of ordinary share capital					
for treasury	–	(615)	–	–	(615)
Share based payments	–	21	–	–	21
Deferred tax on share based payments	–	(1)	–	–	(1)
Net profit for the period	–	885	–	–	885
At 30 September 2008	5,437	4,813	8,530	–	18,780

consolidated balance sheet

at 30 September 2008

	<i>30 September</i>	30 September	31 March
	<i>2008</i>	2007	2008
	<i>Unaudited</i>	Unaudited	Audited
£	<i>000</i>	£	£
<i>Non-current assets</i>			
Goodwill	13,028	12,905	13,028
Other intangible assets	489	535	512
Property, plant and equipment	590	520	615
Financial assets	300	479	300
	14,407	14,439	14,455
<i>Current assets</i>			
Inventories	695	672	591
Trade and other receivables	2,684	3,210	4,390
Derivative financial instruments	–	77	–
Current tax asset	–	–	7
Deferred tax asset	90	99	142
Cash and cash equivalents	4,568	4,071	3,939
	8,037	8,129	9,069
<i>Current liabilities</i>			
Trade and other payables	(1,895)	(2,030)	(2,836)
Borrowings	(551)	(553)	(552)
Current tax liability	(353)	(1,272)	(514)
	(2,799)	(3,855)	(3,902)
<i>Net current assets</i>	5,238	4,274	5,167
<i>Total assets less current liabilities</i>	19,645	18,713	19,622
<i>Non-current liabilities</i>			
Borrowings	(865)	(1,387)	(1,132)

Deferred tax payable	–	(50)	–
Net assets	18,780	17,276	18,490
Represented by:			
Capital and reserves attributable to equity holders			
Called up share capital	5,437	5,437	5,437
Share premium account	–	8,530	8,530
Special reserve account	8,530	–	–
Retained earnings	4,813	3,309	4,523
Total equity	18,780	17,276	18,490

consolidated cash flow statement

for the six months ended 30 September 2008

	<i>Six months ended 30 September 2008 Unaudited</i>	Six months ended 30 September 2007 Unaudited	Year ended 31 March 2008 Audited
	£	£	£
Cash flows from operating activities			
Profit before taxation	1,290	1,475	3,241
Adjustments for:			
Depreciation of plant and equipment	65	64	131
Amortisation of other intangible assets	190	92	231
Loss on interest rate swap	–	–	32
(Profit) on disposal of tangible assets	–	–	(2)
Loss on disposal of financial assets	–	34	28
Interest expense	54	74	133
Interest receivable	(125)	(99)	(223)
Share based payment expense	22	97	181
Decrease/(increase) in receivables	1,706	500	(717)
(Increase) in inventories	(104)	(87)	(6)
(Decrease)/increase in payables	(941)	(565)	242
Cash generated from operations	2,157	1,585	3,271
Interest paid	(54)	(74)	(133)
Income tax paid	(509)	(53)	(1,311)
Net cash from operating activities	1,594	1,458	1,827
Cash flow from investing activities			
Payment of deferred consideration	–	(330)	(330)
Payment to acquire goodwill	–	–	(87)
Purchase of tangible assets	(40)	(59)	(230)
Purchase of other intangible assets	(168)	(246)	(362)
Proceeds from the sale of tangible assets	–	–	11
Proceeds from the sale of financial assets	–	136	322

Interest rate swap proceeds received	–	–	52
Interest received	125	105	223
Net cash from investing activities	(83)	(394)	(401)
<i>Cash flows from Financing activities</i>			
Purchase of own shares	(614)	(176)	(413)
Payment of debt	(268)	(248)	(505)
Net cash used in financing activities	(882)	(424)	(918)
Net increase in cash and cash equivalents	629	640	508
Cash and cash equivalents at beginning of period	3,939	3,431	3,431
Cash and cash equivalents at end of period	4,568	4,071	3,939

Note – analysis of net funds

	<i>30 September</i>		30 September		31 March	
	<i>2008</i>		2007		2008	
	<i>Unaudited</i>		Unaudited		Audited	
	£	000	£	000	£	000
Cash and cash equivalents		4,568		4,071		3,939
Debt due within one year		(550)		(550)		(550)
Debt due after one year		(865)		(1,387)		(1,132)
Finance lease		(1)		(3)		(2)
Net funds		3,152		2,131		2,255

notes to the interim financial statements

for the six months ended 30 September 2008

1. basis of preparation

The interim financial statements have been prepared using consistent accounting policies as used in the preparation and filing of the statutory financial statements for the year ended 31 March 2008. They 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 (EU).

The information within these interim financial statements is in compliance with IAS 34 “Interim Financial Reporting”.

2. audit review

These interim financial statements do not constitute statutory financial statements within the meaning of the Companies Act 1985 and have not been subject to a review by our company auditors.

3. segmental analysis

	<i>Six months</i>		Six months		Year	
	<i>ended</i>		ended		ended	
	<i>30 September</i>		30 September		31 March	
	<i>2008</i>		2007		2008	
	<i>Unaudited</i>		Unaudited		Audited	
	£	000	£	000	£	000

Revenue

Property information services	3,901	5,221	10,615
Financial services	209	225	449
Specialist electronics	1,448	608	2,035
Packaging solutions	650	718	1,368
	6,208	6,772	14,467
<i>Operating profit/(loss)</i>			
Property information services	775	1,556	3,075
Financial services	114	117	273
Specialist electronics	469	(45)	273
Packaging solutions	110	221	387
Head office	(330)	(365)	(798)
Exceptional items	81	(34)	(28)
	1,219	1,450	3,182
<i>Net Operating Assets</i>			
Property information services	1,298	788	1,548
Financial services	54	(97)	47
Specialist electronics	705	700	970
Packaging solutions	365	115	398
Head Office	13,206	13,639	13,272
	15,628	15,145	16,235
Interest bearing assets	4,568	4,071	3,939
Interest bearing liabilities	(1,416)	(1,940)	(1,684)
	18,780	17,276	18,490

4. exceptional administrative credits/(expenses)

	<i>Six months ended 30 September 2008 Unaudited</i>	Six months ended 30 September 2007 Unaudited	Year ended 31 March 2008 Audited
£	000	£ 000	£ 000
Recovery of old debts	146	–	–
Abortive acquisition costs	(65)	–	–
(Loss) on disposal of financial assets	–	(34)	(28)
	81	(34)	(28)

5. 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 2008 was 25,557,657.

	<i>Six months ended 30 September 2008</i>	Six months ended 30 September 2007	Year ended 31 March 2008
Profit after tax	885,000	1,055,000	2,432,000

Weighted average number of shares in issue	25,557,657	26,913,657	26,538,657
Basic earnings per share	3.46p	3.92p	9.16p
Weighted average number of shares in issue adjusted to take account of shares under option	25,972,882	27,431,410	27,056,410
Diluted earnings per share	3.41p	3.84p	8.99p