



PSG

PSG Solutions plc

INTERIM REPORT 2006

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corporate synopsis

PSG Solutions plc's main business is the Property Search Group ("PSG"). Through its exclusive franchised national distribution channel it is the largest private provider of home property searches to conveyancers in the UK. It carries out close to 300,000 searches annually, and has the unrivalled potential to provide other key reports and services required by home buyers.

Audiotel International Limited ("Audiotel") is Europe's leading brand manufacturer of surveillance and counter surveillance equipment mainly to state agencies. It has newly developed, for the commercial market, a 24/7 electronic security system to protect confidentiality within meeting rooms.

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

highlights

- Turnover increased by 28% to over £7 million (2005: £5.5 million)
- Profit before taxation increased by 62% to £1.5 million (2005: £0.9 million)
- Shareholders' funds increased by 35% to £13.3 million (2005: £9.8 million)
- Strong cash flow

chairman's statement

for the six months ended 30 September 2006

All of the Group's operating businesses traded satisfactorily for the six month period under review. This was reflected in strong cash flow which resulted in the reduction of net debt and deferred consideration payable.

The profit before taxation was achieved after making significant investments at PSG in key additional employees and new premises. The new proprietary IT system which integrates the PSG franchise network is at an advanced stage of roll-out. It is creating a powerful conduit to deliver new products to the 300,000 home buyers each year who use the PSG personal search. The costs so incurred are fully expensed against the Group's profits.

PSG

Trading continued to be positive with the number of searches for the six month period increasing by over 19% to 168,447 (2005: 141,462). This is in line with the growth in residential home sales during the same period. Three senior executives have been recruited to expand the business and further drive sales in key areas. A competitive new PSG environmental insurance policy for home buyers has also been launched. Further products and enhanced support for the network will follow.

The move to larger premises in Huddersfield has been completed, which will further facilitate this expansion and has enabled PSG to accommodate its enlarged wholly owned West Yorkshire franchise now servicing Leeds, Huddersfield, Bradford and the recently acquired Wakefield Franchise.

Paterson Financial Services, a Group subsidiary, provides in-house insurance expertise to handle the network's Professional Indemnity cover and to develop PSG proprietary insurance products.

Uncertainty still exists over whether the government's proposed watered down version of the Home Information Pack will be implemented in July 2007. Most of the property industry's long established participants such as the Council of Mortgage Lenders and the National Association of Estate Agents believe its introduction to be unwise on a number of grounds and potentially damaging to the housing market as a whole. PSG is prepared either way, and will be participating in the government primed trial to take place shortly.

Audiotel

Sales at Audiotel have been satisfactory. Under the new management, changes have been implemented across every aspect of its business and Audiotel's total operation is now fully integrated. The effect has been to make the whole process transparent and efficient, and has led to much improved margins with breakeven at a lower level. Research and development has focused on RoomGuard, the Scanlock counter surveillance range and the new hand held Stealth Surveillance Unit specifically targeted at the UK Police and Security Agencies.

The new RoomGuard product is currently being trialled with City of London blue chip customers, which require the product to go through administrative hoops and technical testing. Orders have followed where trials have completed this gauntlet run. A major newspaper Group and The Stanley Leisure Group have both made significant installations of these products which provide them with 24/7 electronic surveillance protection. At the time of writing a firm export order has just been received from a foreign embassy pre-eminent in its reputation for security.

M&B

This specialist packaging solutions business has performed satisfactorily and in line with the budget. It maintains high margins due to its reputation and record of excellent service and delivery. The management team and employees have continued to provide a commendable contribution.

Outlook

At PSG the roll-out of the integrated IT system will optimise access to our franchisees and customers. Our expanding range of products can now be seamlessly supplied to PSG's Personal Search customer base. The senior management appointments and new premises will support general effectiveness of the network.

The lack of clarity as to the nature, timing and supervision of Home Information Packs is not ideal. However PSG has strategies in place, whatever the final format, to maximise PSG's pre-eminent position in this sector.

The Audiotel management has worked hard to develop its business into an integrated process capable of generating increasing profit margins. The current development of a number of products earmarked to meet market demand, bodes well for future profits. Enhanced profits of Audiotel will flow from any incremental increase in sales.

The Group's management has delivered significant growth in profit before taxation for the period, and the Board remains confident in the Group's future prospects.

Jonathan Mervis

Chairman

14 November 2006

consolidated profit and loss account

for the six months ended 30 September 2006

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Turnover			
Continuing operations	7,011	5,479	12,418
Acquisitions	—	—	489
	7,011	5,479	12,907
Cost of sales	(3,049)	(2,456)	(6,168)
Gross profit	3,962	3,023	6,739
Administrative expenses	(2,376)	(1,984)	(4,716)
Operating profit before exceptional items	1,586	1,039	2,023
Exceptional credits/(charges)	—	114	(2,272)
Operating profit/(loss)			
Continuing operations	1,586	1,153	(399)
Acquisitions	—	—	150
	1,586	1,153	(249)
Interest payable	(97)	(234)	(471)
Interest receivable	20	10	10
Profit/(loss) on ordinary activities before taxation	1,509	929	(710)
Taxation	(450)	(222)	12
Profit/(loss) on ordinary activities after taxation	1,059	707	(698)
Basic profit/(loss) per share	3.95p	4.32p	(3.76p)
Diluted profit/(loss) per share	3.95p	4.25p	(3.75p)

consolidated statement of total recognised gains and losses

for the six months ended 30 September 2006

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Profit/(loss) for the period	1,059	707	(698)
Unrealised decrease on valuation of investments	—	(3)	—
	1,059	704	(698)

consolidated balance sheet

at 30 September 2006

	30 September 2006 Unaudited £000	30 September 2005 Unaudited £000	31 March 2006 Audited £000
Fixed assets			
Intangible assets	12,921	13,231	12,871
Tangible assets	573	652	613
Investments	228	858	375
	13,722	14,741	13,859
Current assets			
Stocks	638	834	677
Debtors	3,461	2,591	2,804
Cash at bank and in hand	1,655	1,391	1,666
	5,754	4,816	5,147
Creditors: amounts falling due within one year	(4,282)	(2,957)	(4,148)
Net current assets	1,472	1,859	999
Total assets less current liabilities	15,194	16,600	14,858
Creditors: amounts falling due after more than one year	(1,877)	(6,762)	(2,600)
Net assets	13,317	9,838	12,258

Represented by:

Capital and reserves

Called up share capital	5,356	3,757	5,356
Share premium account	8,450	6,223	8,450
Profit and loss account	(489)	(142)	(1,548)
Shareholders' funds	13,317	9,838	12,258

consolidated cash flow statement

for the six months ended 30 September 2006

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Net cash inflow from operating activities	1,082	687	1,677
Returns on investments and servicing of finance			
Bank interest received	20	10	10
Bank interest paid	(94)	(234)	(464)
Interest element of hire purchase payments	(2)	—	(7)
	(76)	(224)	(461)
Corporation tax received/(paid)	7	—	(229)
Capital expenditure and financial investment			
Payments to acquire tangible assets	(63)	(80)	(141)
Receipts on disposal of tangible assets	30	—	9
Payments to acquire investments	—	—	(573)
Receipts on disposal of investments	147	62	249
	114	(18)	(456)
Acquisitions and disposals			
Payment to acquire businesses	(50)	—	—
Payments to acquire subsidiary undertaking	—	—	(147)
Cash acquired in subsidiary undertakings	—	—	16
Deferred consideration	(560)	(900)	(1,271)
	(610)	(900)	(1,402)
Net cash outflow before financing	517	(455)	(871)
Financing			
Issue of share capital	—	1,303	5,129
Capital element of finance lease contracts	(24)	(25)	(70)
Repayment of loans	(504)	(41)	(3,081)
	(528)	1,237	1,978
(Decrease)/increase in cash for the period	(11)	782	1,107

consolidated cash flow statement (continued)

for the six months ended 30 September 2006

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash for the period	(11)	782	1,107
Movement in bank loans	504	—	3,080
Decrease in finance leases	24	25	70
Movement in net funds/(debt)	517	807	4,257
Net debt at 1 April 2006	(1,464)	(5,526)	(5,721)
Net debt at 30 September 2006	(947)	(4,719)	(1,464)

notes to the consolidated cash flow statement

for the six months ended 30 September 2006

(i) reconciliation of operating profit/(loss) to net cash inflow from operating activities

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Operating profit/(loss)	1,586	1,153	(249)
Depreciation	70	69	156
Loss/(profit) on disposal of fixed assets	3	(3)	3
Movement in the value of investments	—	(114)	752
Amortisation of goodwill	—	—	600
(Increase) in debtors	(683)	(480)	(652)
(Decrease)/increase in creditors	67	(9)	839
Decrease in stocks	39	71	228
Net cash inflow from operating activities	1,082	687	1,677

(ii) analysis of net debt

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Cash at bank and in hand	1,655	1,391	1,666
	1,655	1,391	1,666
Short term bank loan	(710)	—	(825)
Long term bank loan	(1,877)	(6,026)	(2,266)
Finance lease	(15)	(84)	(39)
	(947)	(4,719)	(1,464)

notes to the consolidated accounts

for the six months ended 30 September 2006

1. financial information

The financial information provided for the six months to 30 September 2006 has been prepared using consistent accounting policies as used in the preparation and filing of the statutory accounts for the year ended 31 March 2006. The financial information set out here does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

2. audit review

These interim results have not been subject to a review by our Company auditors.

3. segmental analysis

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Turnover			
Specialist electronics	1,228	898	3,387
Packaging solutions	643	636	1,186
Property search services	4,906	3,746	7,751
Financial services	234	199	583
	7,011	5,479	12,907
Operating profit/(loss)			
Specialist electronics	154	(140)	272
Packaging solutions	186	268	412
Property search services	1,451	1,270	2,138
Financial services	127	81	224
Group management services	(332)	(440)	(1,023)
Exceptional administrative expenses	—	114	(2,272)
	1,586	1,153	(249)

notes to the consolidated accounts

for the six months ended 30 September 2006

4. exceptional credits/(charges)

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Amounts payable to former directors including legal fees	—	—	(598)
Investment write down	—	114	(752)
Bank arrangement fees written off	—	—	(291)
Goodwill written off	—	—	(600)
Redundancy costs	—	—	(31)
	—	114	(2,272)

5. earnings/(loss) per share

The earnings/(loss) per share calculations have been arrived at by reference to the following earnings and weighted average number of shares in issue during the year. The actual number of shares in issue at 30 September 2006 was 26,783,240.

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Profit/(loss) after tax	1,059	707	(698)

	No.	No.	No.
Weighted average number of shares in issue			
Basic	26,783,240	16,377,752	18,569,506
Diluted	26,783,240	16,630,945	18,623,390

notes to the consolidated accounts

for the six months ended 30 September 2006

6. statement of changes in shareholders' equity

	Six months ended 30 September 2006 Unaudited £000	Six months ended 30 September 2005 Unaudited £000	Year ended 31 March 2006 Audited £000
Opening shareholders' equity	12,258	7,830	7,830
Profit/(loss) for the period	1,059	707	(698)
Issue of share capital	—	1,304	5,129
Revaluation of investments	—	(3)	(3)
Closing shareholders' equity	13,317	9,838	12,258

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