

## PSG Solutions PLC - Preliminary Results

PSG SOLUTIONS PLC

PRELIMINARY RESULTS FOR YEAR ENDED 31 MARCH 2006

### Chairman's Statement

There have been substantial changes in the management, focus and overall direction of PSG Solutions plc ('The Group') with my appointment eight months ago as Chairman and John Warwick as Finance Director. Tweedie Brown Managing Director of PSG Franchising Limited ('PSG') was appointed as an Executive Director in January along with David Holme as a Non Executive Director. Key points have been: -

- \* £4 million (gross) raised by share placing with new institutions, existing and other shareholders. Balance sheet, subsequently, still strengthening. Cash and bank facilities are now in excess of £4.5 million.

- \* Changed name to incorporate 'PSG' reflecting the appropriate emphasis on the core business - which is the largest provider of personal residential local authority searches in England and Wales.

- \* 20% increase in turnover of property search business.

- \* Robust and successful legal and lobbying campaign against blatant anti competitive practices of many Local Authorities.

- \* Audiotel - substantial change in management and direction.

- \* Head Office costs will reduce to around £550,000 in current year and no exceptional charges are anticipated.

A breakdown of pre tax profit/loss between the Group's activities for the years ended 31st March 2006 and 2005 are: -

	Operating Profit/Loss	
	2006	2005
	£'000	£'000
PSG Franchising	2,138	1,378
Audiotel	272	(431)
Moore and Buckle	412	291
Paterson Financial Services	224	31
	3,046	1,269
Less		
Head Office costs	(1,023)	(1,159)
Interest	(461)	(320)
	1,562	(210)
Less		
Exceptionals	(2,272)	(624)
Total Pre-Tax Loss	(710)	(834)

### PSG

PSG increased both the number, (up 20%) and its share of the market for the provision of personal local searches to the conveyancing profession during the current financial year. Some 280,000 searches were carried out by the company's 86 franchisees and its franchisor owned outlet, based in Huddersfield. This represents around 25% of total residential transactions. Healthy growth has been maintained for the year to 31st March 2007 with the company recording the best ever search volumes in its history. Calendar year 2005 saw PSG increase its market share in England and Wales by 5.7% over 2004. PSG currently provides additional search products, compiled by third parties, for areas such as environmental, mining, drainage and water.

This performance flows from the level of service and close personal relationships with over 4,000 conveyancing clients, which PSG and its

franchisees maintain nationally. This gives PSG a unique market advantage and has also enabled it to speed up the home moving process.

The intended introduction of the Home Information Packs (HIPS) in June 2007 has been a catalyst to PSG widening its traditional solicitor customer base. The company is continuing to establish and strengthen its relationships with existing and new participants servicing residential property transactions. These include Estate Agents, specialist providers of Home Condition Reports (an essential new prerequisite component of a HIP), Mortgage Lenders, Independent Financial Advisors and resellers seeking access to PSG national franchise network.

PSG now has the funds available and Group management support structure in place to be able to carry out the initiatives and make the investments required, to avail itself of new opportunities for growth. This resource had not been available previously. It has been essential, in the first instance, to invest to create these necessary pre-requisites for improved and sustained future performance.

Key developments at PSG have been: -

- \* The recent appointment of an experienced Finance Director who will bring a new dimension to PSG's financial management systems and assist PSG's Managing Director in ensuring that there is sufficient capacity in place. He will also enhance and streamline the delivery of existing and new products to customers and franchisees.

- \* Further Franchise Support Managers will be appointed to generate improved performance from franchisees and to help them promote PSG's HIPS product through TheHIPAlliance.

- \* The current roll out of the new IT system to support the above and products for the future.

- \* The move of PSG's Huddersfield operation at the end of June to larger and more appropriate premises

- \* The acquisition of the Bradford and, recently Wakefield franchise to expand PSG's wholly owned West Yorkshire franchise.

PSG and HIPS

The company provides packaged information to property lawyers, which already includes many of the elements of the HIP. In addition to its existing clients, it has forged links on the High Street with estate agents and surveyors through a campaign geared towards maximising the power of property professionals, who already work together in satisfying the needs of the home buyer and seller. PSG calls its local solution 'TheHIPAlliance'. It unites the main players on the High Street and it has been warmly welcomed by those who know and understand the power of a local solution offered nationally. Using its well established network, PSG can not only absorb the volume demand that there will be for its search product, but also offer a bespoke HIP solution to suit the needs of independent and chain businesses alike.

PSG takes its responsibilities to the consumer, its clients, the Government and its suppliers seriously. The PSG Brand has become known for its transparency and for moving heaven and earth to satisfy its clients' needs. 'Personal Service Guaranteed' has become the unofficial motto of its franchisees.

Because it is the volume supplier of the personal search, PSG has a powerful voice in the market place and has been involved with Government consultative bodies, as well as providing input to the National Association of Estate Agents, The Royal Institution of Chartered Surveyors and the Council of Mortgage Lenders. Recently the Managing Director has been invited, along with a few key players, to join the Department for Communities and Local Government (DCLG) Home Information Pack Implementation Group.

The prognosis is that HIPS will allow PSG to consolidate its already powerful place in the local and ancillary search business. As a volume supplier it will be able to cope with the demands of a new market for its products as well as the new business of packaging HIPS under 'TheHIPAlliance' banner for its existing and prospective clients. Attractive additional income streams based on a realistic assessment of the new home selling environment are anticipated.

Personal Search based on a point of law

The commercial basis for the Personal Search Business relies on the unequivocal right enshrined in law to carry out a personal property search for a fixed fee of £11.

The local authorities have a monopoly as the sole custodians of the search records, which are also used by them to carry on their own business of selling

searches to the conveyancing industry. In the past they delivered a poor service exacerbated by a complacency, common to totally dominant long term monopolies. When, from its inception in 1997, PSG offered a quicker, reliable and cost effective service, certain Local Authorities responded by restricting access to PSG and other personal searchers to view public records. This blatant abuse of their dominant position has been anti-competitive by restricting fair and reasonable access to view public records.

This abuse has been successfully challenged by PSG in the High Court in March this year, in respect of Burnley Council. At Judicial Review proceedings in the High Court Burnley Council's conduct was described by the Judge as 'so unfair as to amount to an abuse of power'.

Documents obtained under the Freedom of Information Act point to further abuse and collusion amongst some authorities. PSG will continue to protect its position by exposing wrong doing and will campaign as it sees fit to bring about a level playing field between the Franchise and the Local Authorities, who remain their biggest competitor.

#### Other New Products

PSG recognises the scope and potential to use its channel to the market to supply other essential products - in addition to HIPS - needed or required by house buyers and sellers.

New products are being developed which will consolidate and enhance the offering both to franchisees and clients and provide a new source of business with a ready made channel to the market.

#### Paterson Financial Services

Paterson Financial Services ('PFS') now focuses almost entirely on servicing PSG. It manages the professional indemnity insurance premiums and claims negotiations with the underwriters. PFS is responsible for developing the new PSG insurance products.

#### Audiotel

Despite Audiotel's renowned brand and reputation worldwide, the growth in turnover and profitability over the last few years have been disappointing.

In March this year, substantial changes have been made to the management structure at Audiotel with both the Chairman and Managing Director (Paul Hughes and Ian Roberts respectively) leaving the company. At the same time, Bernie Connor was appointed Managing Director joining the company from Computer Cab where in his role as Operations Director he has seen Pre-Tax profit growth of £1million to £5 million during a 4 year period.

In addition to the changes at board level, there has been a restructure of the sales team which has been streamlined and re-focussed on more traditional markets. The cost base, company wide, has been reviewed and rationalised accordingly. This will enable greater profits to be generated from a more

modest sales revenue, and in turn this will ensure that any growth in turnover will feed directly to the bottom line.

Audiotel's counter surveillance products have a loyal UK and overseas user base that has been built up over the last 15/20 years, with a reputation for the supply of reliable products backed up by good customer service. Product innovation is focussed on market needs and includes a comprehensive roll-out of upgrades to existing products alongside a counter surveillance market breakthrough, with the RoomGuard and CasinoGuard products that supply 24/7 proactive audiovisual surveillance.

Both these products provide continuous security systems to enable:

- \* In the case of RoomGuard, constant monitoring of audio and video signals within the corporate environment ensuring that any `alien' signals are instantly reported, investigated and identified. In today's competitive corporate environments these systems will act as the hub of an overall security policy providing peace of mind to senior executives that private meetings remain private.

- \* In the case of CasinoGuard, constant monitoring of audio and video signals within the gaming floor environment ensuring that any `alien' signals are instantly reported, investigated and identified. Casino fraud, using highly technical audio systems, has increased in the last 18 months and this system enables the security officers within the casinos to identify quickly, the early stages of the setup of the fraud and thereby prevent any losses to the business through this illegal channel.

These new products, together with the traditional products, will provide a

platform for expansion for Audiotel in second half of 2006 and into 2007.

#### Moore and Buckle

Moore and Buckle, based at St Helens, undertakes short run specialist flexible packaging work. The small team relies on its ability to provide innovative engineered solutions to otherwise difficult problems. Its other service feature is to complete 'impossible' projects on time. Although Moore and Buckle majors in the food industry it has a wide mix of customers. The high trading margins reflect the high level of service required in executing customer orders.

Whilst the trading margins have been consistently attractive, it was considered prudent, when taking into account the future profit potential, to write down the book value of the goodwill by £600,000.

New 24,000 square foot premises gives the company surplus space and enables the business to expand or to sub-let.

#### Investments

The Group still holds minority investments in four businesses though the percentage holding has been reduced in two of them, through dilution on fund raisings and through part disposal. There is no intention of making any further investment in these businesses. The policy remains in place to dispose of each when the opportunity arises.

Avatar Systems Inc. - 19% of equity owned. Based in Dallas, this business provides the software management package to small exploration drilling companies based in the USA. Avatar maintains and manages these software packages on behalf of its customers and has been self funding and consistently profitable. It has not been able to expand through lack of funds to pursue the acquisition of competitors in a fragmented industry. Consensus, a shareholder in the Group, has indicated in principle a willingness to support Avatar's acquisition programme.

Energy Technique plc was the subject in April 2006 of a further major refinancing following the capital injection in October 2005. The Group did not participate in the latest fundraising. It now holds 7.75% of Energy Technique.

Harrell Hospitality, based in Dallas, is considering new funding opportunities. The Group will not be participating.

Netcentric plc. - the Group sold 29.9% of Netcentric (a shell company) in March 2006. It has subsequently sold shares in the market reducing its interest to 9.9%.

#### Employees

The understanding and co-operation of both management and employees and, not least the franchisees, through so much uncertainty and change has been greatly appreciated. Our structure, the focus on a clear strategy and the drive for profitability ultimately must be rewarding for our three principal stakeholders - shareholders, franchisees and employees.

#### Outlook

With the impending introduction of HIPS, PSG's national coverage of the Search and its Brand, gives it a major platform and the leverage to take full advantage of HIPS. It will retain the Search element and increase income for its expanded role in the HIP compilation process.

New PSG products are being developed to provide to its customers alongside the Search.

The introduction of new management at Audiotel, followed by major restructuring and the introduction of products for the commercial market, should lead to improving performance.

The Group has the resources in place to take advantage of opportunities as they arise.

Jonathan Mervis

Chairman

June 2006

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John Warwick	Finance Director	PSG Solutions	0207 881 0800
Mike Sawbridge	Nominated Adviser	Shore Capital	0151 600 3722

group profit and loss account	Notes	2006	2005
for year ended 31 March 2006			

		£	£
Turnover			
Continuing operations		12,418,257	2,031,250
Acquisitions		489,289	5,828,973
		12,907,546	7,860,223
Cost of sales		(6,168,783)	(3,786,661)
Gross profit		6,738,763	4,073,562
Administrative expenses		(4,716,053)	(3,963,378)
Operating profit before exceptional items		2,022,710	110,184
Exceptional administrative expenses	3	(2,272,315)	(624,342)
Operating Loss			
Continuing operations		(399,508)	(2,531,241)
Acquisitions		149,903	2,017,083
		(249,605)	(514,158)
Interest payable		(471,410)	(369,025)
Interest receivable		10,398	48,873
Loss on ordinary activities before taxation		(710,617)	(834,310)
Taxation		12,797	(6,232)
Retained loss for the year	4	(697,820)	(840,542)
Basic loss per share		0.04p	0.06p
Diluted Loss per share		0.04p	0.06p

group statement of total recognised gains and losses for the year ended 31 March 2006		2006	2005
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		£	£
Loss for the period		(697,820)	(840,542)
Unrealised increase on valuation of investments		0	-
Unrealised decrease on valuation of investments		0	(249,250)
		(697,820)	(1,089,792)

group balance sheet	2006
2005	

For the year ended 31 March 2006

£	£	£	£
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Fixed assets				
Intangible assets		12,871,450		
13,231,125				
Tangible assets		613,324		
640,541				
Investments		375,000		
805,878				
		13,859,774		
14,677,544				
Current assets				
Stocks	676,799		904,806	
Debtors	2,804,025		2,110,195	
Cash at bank and in hand	1,666,429		559,652	
	5,147,253		3,574,653	
Creditors: amounts falling due within one year	(4,148,197)		(6,445,313)	
Net current (liabilities)/ assets		999,056		
(2,870,660)				
Total assets less current liabilities		14,858,830		
11,806,884				
Creditors: amounts falling due after more than one year		(2,600,697)		
(3,976,934)				
Net assets		12,258,133		
7,829,950				
Represented by:				
Capital and reserves				
Called up share capital		5,356,648		
3,233,006				
Share premium account		8,449,769		
5,444,443				
Revaluation reserve		-		
2,965				
Profit and loss account		(1,548,284)		
(850,464)				
Shareholders' funds		12,258,133		
7,829,950				
group cash flow				
2005		2006		
for the year ended 31 March 2006				
£	Notes	£	£	£
Net cash inflow from operating activities	(i)	1,677,309		
2,100,294				
Returns on investments and servicing of finance				
Bank interest received		10,398		48,873
Bank interest paid		(463,761)		(369,025)

Interest element of finance lease payments	(7,649)	-
		(461,012)
(320,152)		
Taxation		
Corporation tax paid (380,418)		(228,817)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(141,057)	(133,554)
Receipts on disposal of tangible assets	9,000	3,800
Payments to acquire investments	(573,188)	(5,003)
Receipts on disposal of investments	248,918	131,102
		(456,327)
(3,655)		
Acquisitions and disposals		
Payments to acquire subsidiary undertaking	(147,377)	(7,602,935)
Cash acquired in subsidiary undertakings	15,779	1,016,082
Deferred consideration	(1,271,171)	(156,250)
		(1,402,769)
(6,743,103)		
Net cash outflow before financing		(871,616)
(5,347,034)		
Financing		
Issue of share capital	5,128,968	1,400,293
Capital element of finance lease contracts	(69,780)	(45,878)
Increase in borrowings	-	4,150,000
Bank loan repaid	(3,080,795)	(98,803)
		1,978,393
5,405,612		
Increase in cash for the period		1,106,777
58,578		
Reconciliation of net cash flow to movement in net funds/(debt)		
Increase in cash for the year		1,106,777
58,578		
Movement in bank loans		3,080,795
(4,051,197)		
Decrease in finance leases		69,780
45,878		
Finance leases acquired with subsidiary		-
(35,019)		

Movement in net debt (3,981,760)		4,257,352
Net debt at 1 April 2005 (1,739,573)	(ii)	(5,721,333)
Net debt at 31 March 2006 (5,721,333)	(ii)	(1,463,981)

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

	2006	2005
	£	£
Operating loss	(249,605)	(514,158)
Depreciation	156,856	145,013
Loss/(profit) on disposal of tangible fixed assets	2,970	(3,800)
Impairment in the value of investments	752,178	612,659
Amortisation of goodwill	600,000	-
(Increase)/decrease in debtors	(652,056)	2,182,378
Increase/(Decrease) in creditors	838,959	(65,106)
Decrease/(Increase) in stocks	228,007	(256,692)
Net cash inflow from operating activities	1,677,309	2,100,294

(ii) analysis of net debt

	At 1 April 2005	Cash flow	Acquisitions	At 31 March 2006
	£	£	£	£
Cash in bank and in hand	559,652	1,090,998	15,779	1,666,429
Debt due within 1 year	(2,919,024)	2,094,013	-	(825,011)
Debt due after 1 year	(3,252,859)	986,782	-	(2,266,077)
Finance lease	(109,102)	69,780		(39,322)
	(5,721,333)	4,241,573	15,779	(1,463,981)

#### Notes to the Preliminary Statement

##### 1. basis of preparation

The financial information set out in this preliminary announcement does not constitute the Group's statutory accounts for the years ended 31 March 2006, but is derived from those accounts. The statutory accounts for the year ended 31 March 2005 have been delivered to the Registrar of Companies, and those for the year ended 31 March 2006 will be delivered to the Registrar of Companies following the Annual General Meeting. Whilst currently in draft form, the auditors have reported on those accounts; their reports were unqualified and do not contain statements under Companies Act 1985 sections 237(2) or (3).

The Financial Information is presented on the basis of the accounting policies contained in the Financial Statements for the year ended 31 March 2006.

##### 2. segmental analysis

###### business analysis

2005

2006



Net Operating Assets	Turnover	Operating		Net	
		profit/ (loss)	assets	Turnover	operating profit/ (loss)
£	£	£	£	£	£
Property Search 142,500 Services	7,751,389	2,137,771	870,094	4,711,466	1,378,043
Financial 18,951 Services	583,560	224,555	23,149	68,301	31,580
Specialist 1,213,271 electronics	3,386,843	271,821	243,802	2,031,250	(430,970)
Packaging 101,163 solutions	1,185,754	411,839	309,249	1,049,206	290,933
Head Office 12,075,398	-	(1,023,276)	12,275,820	-	(1,159,402)
	12,907,546	2,022,710	13,722,114	7,860,223	110,184
13,551,283					
Exceptional - items	-	(2,272,315)		-	(624,342)
	12,907,546	(249,605)	13,722,114	7,860,223	(514,158)
13,551,283					
Interest bearing 559,652 assets			1,666,429		
Interest bearing (6,280,985) liabilities			(3,130,410)		
Net assets 7,829,950			12,258,133		

### 3. exceptional administration expenses

	2006	2005
	£	£
Amounts payable to former Directors including legal fees	597,771	-
Investment write down	752,178	624,342
Bank arrangement fees written off	291,366	-
Goodwill written off	600,000	-
Redundancy costs	31,000	-
	2,272,315	624,342
The Investment write down is made up as follows:		
Energy Technique plc	573,982	315,116
Avatar Systems Inc.	213,316	(88,918)
Croma Group plc	269	(14,904)

Harrell Hospitality Group Inc.	100,000	143,913
Merchant House Group plc	(25,983)	152,877
Netcentric Systems plc	(109,115)	116,258
Other	(291)	
	752,178	624,342

The Group accounting policy for investments is to state them at directors valuation. Where this reduces the value of the investment below its cost, the deficit is reflected as a charge to the profit and loss account. This represents the movement in value of the investments below cost at 31 March 2006.

There is no tax effect of the above investment write downs.

#### 4. loss per share

The calculation of basic loss per Ordinary share is based on the Group loss of £697,820 (2005: loss of £840,542) and the weighted average number of shares in issue during the period of 18,569,506 (2005: 14,275,064). Share options do not have a significant dilutive effect.

#### 5. despatch of documents

Copies of the Group's audited statutory accounts for the year ended 31 March 2006 will be dispatched to shareholders and the AIM team shortly. Copies will also be available to the public at the Company's office at 133 Ebury Street, London SW1W 9QU.

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