PSG Solutions plc

ANNUAL REPORT AND ACCOUNTS 2012

contents

chairman's statement

As at 31 March 2012

PSG Solutions (the Group)

A breakdown of the profit on ordinary activities before taxation between the Group's activities for the years ended 31 March 2012 and 2011 is as follows:

	2012 £'000	2011 £'000
Specialist electronics	**11,635**	1,500
Property information services	**744**	(210)
Packaging solutions	**273**	301
Head office	**(660)**	(480)
Operating profit	**11,992**	1,111
Finance income	**79**	28
Profit before taxation and exceptional items	**12,071**	1,139
Exceptional items	**(4,138)**	–
Total profit on ordinary activities before taxation	**7,933**	1,139

Turnover for the year was £37,272,645 compared with £10,678,588 last year.

The profit before tax and exceptional items for the year was £12,070,793 compared with a profit before tax and exceptional items of £1,139,133 last year.

Exceptional items comprise an impairment charge of £3,537,539 relating to the value of the goodwill of the property information services business and an impairment charge of £600,000 relating to the value of the goodwill of the packaging business. In the case of property information services this reflects the fact that the volume of housing transactions are unlikely to return to their previous levels for some considerable time and in the case of the packaging business reflects the harsher climate for businesses in general.

Specialist electronics had an exceptional year with an increase in turnover to £31,281,262 from £4,093,905 an increase of 764% and an increase in operating profit to £11,635,491 from £1,499,458 an increase of 776%.

Property information services performed much better than last year. Whilst turnover decreased to £4,576,410 from £5,126,674, operating profit increased to £743,503 compared with an operating loss of £210,249 in the previous year.

Packaging solutions operating profit was £272,725 compared with £301,730 the previous year which was a highly creditable performance in difficult market conditions.

Net cash at 31 March 2012 amounted to £17,268,743, an increase of £14,110,856 over the previous year, despite having spent £3,083,155 on the purchase of 1,505,980 shares in PSG Solutions plc during the year as a result of a tender offer. An amount of £4,184,336 was spent on the purchase of 1,838,611 shares following a further tender offer after 31 March 2012. This resulted in the issued share capital of the company being reduced to 23,901,954 ordinary shares. The tender offers were made in order to return surplus funds to shareholders.

It is being proposed at the Annual General Meeting that the name of the Group be changed from PSG Solutions plc to Security Research Group plc. This reflects the fact that the vast majority of the Group's profit is now produced by its specialist electronics subsidiaries.

chairman's statement

As at 31 March 2012

Business Review

Specialist Electronics

Security Research Limited (Security Research)

The award of a £50 million Ministry of Defence (MOD) contract by Defence Equipment and Support (DE&S) to Security Research in May and August 2011 was a major achievement. The contract was for the manufacture and supply of C-IED (Counter Improvised Explosive Device) equipment to the UK Armed Forces. The product has been developed exclusively by the technical and engineering teams at Security Research. During May 2011 additional premises near Northampton were leased and bespoke production lines and testing facilities installed. Additional employees were recruited, allocated into teams and intensively trained. The exacting demands of the customer during this period required continuous modification of aspects of the product's capabilities relating to its performance, usability and reliability. The management of the supply chain, the manufacturing process itself and stringent testing of performance in realistic battlefield conditions have met the stipulated requirements. The contract is in the course of being fulfilled through the delivery of product on budget and ahead of agreed timescales.

Security Research is awaiting the consent of the MOD to approach other potential customers likely to be interested in this product.

Audiotel International Limited (Audiotel)

Audiotel technical and engineering teams have been stretched to capacity in completing an initial MOD contract awarded in February 2011 alongside supporting Security Research with their MOD contract. At the same time they have overseen an ambitious research and development programme including new and updated Audiotel surveillance and counter surveillance products. A creditable performance by the sales team, especially in the area of audio surveillance systems, has resulted in Audiotel achieving close to 50% of the total profit provided by the Specialist Electronics part of the Group.

For non-UK MOD business, the technical team is focused on completion of newly developed additions and updates to Audiotel's commercial product range that have attracted specific interest from China, Japan and the USA. This year will also see an update to Audiotel's brand reflecting the state of the art electronics now on offer in its product range. As part of the image update there are plans for a rebranded website and a refurbished customer demonstration/seminar area at our premises near Northampton.

The Group management appreciate the enhancement of the goodwill and reputation of the Specialist Electronic division which has been reflected in the outstanding execution and delivery to exacting customer requirements of the MOD contract. This will undoubtedly benefit the growth of this divisions business in the future.

Property Information Services (PSG)

Land Registry figures show that house sales in England and Wales increased marginally during the financial year to 31 March 2012 but remain 50% lower than sales recorded prior to the advent of the current and continuing downturn.

For the past three years PSG has faced a catalogue of issues which have had a cumulative negative effect on the business. The balance sheet goodwill of PSG, accordingly, has been significantly reduced to reflect the long term ongoing effect of the substantially lower volumes of house sales.

The turnover of £4,576,410 (2011: £5,126,674) and operating profit of £743,503 (2011: £210,249 loss) marks a return to profitability, having adjusted to a market place which has both contracted and has been subject to pressure on margins.

The constant pressure on operating margins has been alleviated by the continual investment in IT. As a result our online ordering system, PSG Connect, has developed to become an effective platform to manage and deliver seamlessly a total service to clients. The USP which now effectively distinguishes PSG from its competitors is that it now possesses a highly effective capacity for digital delivery. Alongside it has a unique and motivated network of local franchisees with whom PSG enjoys a close and reciprocally beneficial relationship. The improved PSG brand is reflected in the much enhanced and consistently presented websites across the whole of the franchise network.

Packaging Solutions (M & B)

M & B's operating profit was reduced to £272,725 (2011: £301,730) another consistent and steady contribution to the Group. The balance sheet goodwill has been written down to reflect the harsher climate for business in general.

Although M & B's percentage contribution to Group profits this year is less significant, the Group appreciates the outstanding reliability of its management and staff which emanates from an unstinting ethos of professionalism and commitment.

Outlook

The Group has enjoyed a major positive transformation through the expansion of its specialist electronics business. It has the prospect of building upon this success by utilising its technical expertise and contacts to promote existing and allied products. Its prospects, however, are subject to the changing economic circumstances and policy requirements of current and potential customers.

It is anticipated that a further share tender offer will be made to all shareholders during the current financial year.

Jonathan Mervis
Chairman
6 July 2012

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
Northland Capital Partners Ltd
60 Gresham Street
London EC2V 7BB

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 2012.

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

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
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.

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

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.

purchase of own shares
Purchase of own shares both during the year and after the end of the year are referred to in the Chairman's statement.

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	13 March 2012	150,000	12 months	Chief Executive
J D G Holme	4 April 2008 as subsequently amended	20,000	1 month	Non-executive Director

Mr B C Connor is entitled to an annual performance bonus if Group operating profit targets are achieved.

directors' report

substantial shareholders

On 4 July 2012 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	4,481,212	18.75
J P Mervis	3,521,096	14.73
Artemis Investment Management Limited	2,305,761	9.65
Retro Grand Limited	1,570,822	6.57
Seraffina Holdings Limited	1,722,468	7.21
Groundlinks Limited	1,810,809	7.57
J R Davie	770,367	3.22

directors' shareholdings

On 4 July 2012 the directors had the following interests in the Company's issued share capital

	20p ordinary shares	%
J P Mervis	3,521,096	14.73
B C Connor	566,278	2.37
J D G Holme	349,164	1.46
J A Warwick	130,904	0.55
T M Brown	70,004	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 2012 for trade creditors were 48 days (2011: 40 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 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 risks 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.

directors' report

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 and Company 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 Company and the Group's 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 accounting 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
6 July 2012

corporate governance

For the year ended 31 March 2012

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.

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.

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 financial statements 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 7 August 2012, 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 2012

We have audited the financial statements of PSG Solutions plc for the year ended 31 March 2012 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 2012 and of the Group's profit for the year then ended;

— the Group 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
6 July 2012

consolidated income statement

For the year ended 31 March 2012

	Note	**2012** **£**	2011 £
Revenue	2	**37,272,645**	10,678,588
Cost of sales		**(19,961,116)**	(4,811,309)
Gross profit		**17,311,529**	5,867,279
Administrative expenses		**(5,320,026)**	(4,756,640)
Operating profit before exceptional items		**11,991,503**	1,110,639
Exceptional administrative expenses	3	**(4,137,539)**	–
Operating profit	4	**7,853,964**	1,110,639
Finance costs	8	**–**	(276)
Finance income	9	**79,290**	28,770
Profit on ordinary activities before taxation		**7,933,254**	1,139,133
Income tax expense	10	**(2,823,233)**	(154,069)
Profit on ordinary activities after taxation		**5,110,021**	985,064
Basic earnings per share	12	**19.76p**	3.80p
Diluted earnings per share	12	**19.57p**	3.80p

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 2012

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

The notes on pages 16 to 31 form part of these financial statements.

statements of changes in equity

For the year ended 31 March 2012

Group	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2010	5,506,648	5,250	–	9,942,911	15,454,809
Total comprehensive income for the year	–	–	–	985,064	985,064
At 31 March 2011	5,506,648	5,250	–	10,927,975	16,439,873
Issue of new ordinary shares on exercise of options	267,778	432,222	–	–	700,000
Purchase of ordinary share capital for treasury (including costs of £71,000)	–	–	–	(3,083,155)	(3,083,155)
Cancellation of own shares	(626,313)	–	626,313	–	–
Total comprehensive income for the year	–	–	–	5,110,021	5,110,021
At 31 March 2012	**5,148,113**	**437,472**	**626,313**	**12,954,841**	**19,166,739**

Company	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2010	5,506,648	5,250	–	7,467,143	12,979,041
Total comprehensive loss for the year	–	–	–	(1,911)	(1,911)
At 31 March 2011	5,506,648	5,250	–	7,465,232	12,977,130
Issue of new ordinary shares on exercise of options	267,778	432,222	–	–	700,000
Purchase of ordinary share capital for treasury (including costs of £71,000)	–	–	–	(3,083,155)	(3,083,155)
Cancellation of own shares	(626,313)	–	626,313	–	–
Total comprehensive income for the year	–	–	–	1,859,548	1,859,548
At 31 March 2012	**5,148,113**	**437,472**	**626,313**	**6,241,625**	**12,453,523**

The notes on pages 16 to 31 form part of these financial statements.

consolidated statement of financial position

As at 31 March 2012

		2012		2011	
	Note	£	£	£	£
Non-current assets					
Goodwill	13		**4,976,894**		9,114,433
Other intangible assets	14		**688,357**		496,458
Property, plant and equipment	15		**1,581,020**		903,367
Deferred tax asset	20		**125,047**		-
			7,371,318		10,514,258
Current assets					
Inventories	18	**1,312,635**		1,149,526	
Trade and other receivables	19	**7,222,481**		4,074,172	
Current tax asset		**–**		38,335	
Cash and cash equivalents		**17,268,743**		3,157,887	
		25,803,859		8,419,920	
Current liabilities					
Trade and other payables	21	**(11,171,152)**		(2,403,165)	
Current tax liability		**(2,837,286)**		(46,005)	
		(14,008,438)		(2,449,170)	
Net current assets			**11,795,421**		5,970,750
Total assets less current liabilities			**19,166,739**		16,485,008
Non-current liabilities					
Deferred tax	20		**–**		(45,135)
Net assets			**19,166,739**		16,439,873
Represented by:					
Capital and reserves attributable to equity holders					
Called up share capital	22		**5,148,113**		5,506,648
Share premium account			**437,472**		5,250
Capital redemption reserve			**626,313**		–
Retained earnings			**12,954,841**		10,927,975
Total equity			**19,166,739**		16,439,873

Approved by the Board on 6 July 2012.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 16 to 31 form part of these financial statements.

company statement of financial position

As at 31 March 2012

	Note	2012		2011	
		£	**£**	£	£
Non-current assets					
Property, plant and equipment	15		**36,090**		41,622
Investments in subsidiaries	16		**8,354,074**		12,491,613
			8,390,164		12,533,235
Current assets					
Trade and other receivables	19	**15,472**		18,192	
Cash and cash equivalents		**4,896,244**		880,922	
		4,911,716		899,114	
Current liabilities					
Trade and other payables	21	**(848,357)**		(455,219)	
Net current assets			**4,063,359**		443,895
Net assets			**12,453,523**		12,977,130
Represented by:					
Capital and reserves attributable to equity holders					
Called up share capital	22		**5,148,113**		5,506,648
Share premium account			**437,472**		5,250
Capital redemption reserve			**626,313**		-
Retained earnings			**6,241,625**		7,465,232
Total equity			**12,453,523**		12,977,130

Approved by the Board on 6 July 2012.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 16 to 31 form part of these financial statements.

statements of cash flows

For the year ended 31 March 2012

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Cash flows from operating activities				
Profit/(loss) before taxation	**7,933,254**	1,139,133	**1,859,548**	(1,911)
Adjustments for:				
Depreciation of property, plant and equipment	**1,303,116**	199,368	**6,379**	5,154
Amortisation of goodwill/investment write down	**4,137,539**	–	**4,137,539**	–
Amortisation of other intangible assets	**367,196**	375,826	**–**	–
(Profit)/loss on disposal of tangible assets	**(2,337)**	7,079	**–**	–
Interest expense	**–**	276	**–**	–
Interest receivable	**(79,290)**	(28,770)	**(10,963)**	(7,386)
Dividends receivable	**–**	–	**(6,370,260)**	(151,003)
Changes in working capital:				
(Increase)/decrease in receivables	**(3,148,309)**	(2,027,733)	**2,720**	95,867
Increase in inventories	**(163,109)**	(376,141)	**–**	–
Increase in payables	**8,767,987**	576,513	**393,138**	42,799
Cash generated from/(used in) operations	**19,116,047**	(134,449)	**18,101**	(16,480)
Interest paid	**–**	(276)	**–**	–
Income tax paid	**(163,799)**	(278,044)	**–**	–
Net cash generated from/(used in) operating activities	**18,952,248**	(412,769)	**18,101**	(16,480)
Cash flows from investing activities				
Realisation of investment in subsidiary undertakings	**–**	–	**–**	99,000
Purchase of tangible assets	**(2,052,547)**	(442,926)	**(847)**	–
Purchase of other intangible assets	**(559,095)**	(502,225)	**–**	–
Proceeds from the sale of tangible assets	**74,115**	20,415	**–**	–
Dividends received	**–**	–	**6,370,260**	151,003
Interest received	**79,290**	28,770	**10,963**	7,386
Net cash (used in)/generated from investing activities	**(2,458,237)**	(895,966)	**6,380,376**	257,389
Cash flows from financing activities				
Issue of share capital	**700,000**	–	**700,000**	–
Purchase of own shares	**(3,083,155)**	–	**(3,083,155)**	–
Net cash used in financing activities	**(2,383,155)**	–	**(2,383,155)**	–
Net increase/(decrease) in cash and cash equivalents	**14,110,856**	(1,308,735)	**4,015,322**	240,909
Cash and cash equivalents at beginning of period	**3,157,887**	4,466,622	**880,922**	640,013
Cash and cash equivalents at end of period	**17,268,743**	3,157,887	**4,896,244**	880,922

The notes on pages 16 to 31 form part of these financial statements.

note to the statements of cash flows

For the year ended 31 March 2012

analysis of net funds

Group	At 1 April 2011 £	Cash flow £	**At 31 March 2012 £**
Cash and cash equivalents	3,157,887	14,110,856	**17,268,743**
	3,157,887	14,110,856	**17,268,743**

Company	At 1 April 2011 £	Cash flow £	**At 31 March 2012 £**
Cash and cash equivalents	880,922	4,015,322	**4,896,244**
	880,922	4,015,322	**4,896,244**

The notes on pages 16 to 31 form part of these financial statements.

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 IFRSs. The financial statements have been prepared under the historical cost convention.

There were no new standards or interpretations that have been adopted by the Group in the current period.

There are no interpretations and amendments to existing standards that have been issued but are not yet effective and have not been early adopted by the Group.

The preparation of financial statements in accordance with IFRSs, 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 directors have used significant judgements relating 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.

(b) revenue

Revenue represents amounts receivable for goods, services and set up costs in respect of installation of production facilities 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

Sale of goods are recognised when risks and rewards of ownership of the goods have passed to the customer. Certain income is recognised on a milestone basis subject to meeting the criteria as stated within the relevant contract.

(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.

(iii) set up costs

Set up costs are recognised evenly over the life of the relevant contract.

1. accounting policies (continued)

(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/life of contract
Fixtures, fittings and equipment	15% - 33.3% straight line/life of contract
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.

(j) development expenditure and web design costs

Development expenditure and web design costs which meet the criteria for capitalisation, 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.

(l) pensions

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

1. accounting policies (continued)

(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

	2012			2011		
	Revenue £	**Operating profit/(loss) £**	**Net operating assets/ (liabilities) £**	Revenue £	Operating profit/(loss) £	Net operating assets/ (liabilities) £
Specialist electronics	**31,281,262**	**11,635,491**	**(3,852,455)**	4,093,905	1,499,458	2,886,083
Property information services	**4,576,410**	**743,503**	**3,994,679**	5,126,674	(210,249)	7,677,879
Packaging solutions	**1,414,973**	**272,725**	**2,214,121**	1,458,009	301,730	2,774,920
Head office	**–**	**(660,216)**	**(458,349)**	–	(480,300)	(56,896)
	37,272,645	**11,991,503**	**1,897,996**	10,678,588	1,110,639	13,281,986
Exceptional items	**–**	**(4,137,539)**	**–**	–	–	–
	37,272,645	**7,853,964**	**1,897,996**	10,678,588	1,110,639	13,281,986
Interest bearing assets			**17,268,743**			3,157,887
Net assets			**19,166,739**			16,439,873

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

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

The specialist electronics business had one customer (2011: one) with revenue in excess of 10% of Group revenue.

Net operating assets analysis

	2012			2011		
	Segmental assets £	**Segmental liabilities £**	**Segmental net operating assets/ (liabilities) £**	Segmental assets £	Segmental liabilities £	Segmental net operating assets/ (liabilities) £
Specialist electronics	**8,449,906**	**(12,302,361)**	**(3,852,455)**	4,169,642	(1,283,559)	2,886,083
Property information services	**5,004,475**	**(1,009,796)**	**3,994,679**	8,533,242	(855,363)	7,677,879
Packaging solutions	**2,431,689**	**(217,568)**	**2,214,121**	3,013,593	(238,673)	2,774,920
Head office	**51,561**	**(509,910)**	**(458,349)**	59,814	(116,710)	(56,896)
	15,937,631	**(14,039,635)**	**1,897,996**	15,776,291	(2,494,305)	13,281,986

2. segmental analysis (continued)

Additions to non-current assets and non-cash expenses

	2012			2011		
	Additions to non-current assets £	**Depreciation and amortisation £**	**Impairment £**	Additions to non-current assets £	Depreciation and amortisation £	Impairment £
Specialist electronics	**2,417,224**	**(1,464,795)**	**–**	808,177	(322,358)	–
Property information services	**163,580**	**(169,026)**	**(3,537,539)**	132,084	(222,117)	–
Packaging solutions	**29,991**	**(27,775)**	**(600,000)**	4,890	(32,644)	–
Head office	**847**	**(6,379)**	**–**	–	(5,154)	–
	2,611,642	**(1,667,975)**	**(4,137,539)**	945,151	(582,273)	–

Geographical information

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

	2012 £	2011 £
United Kingdom	**31,716,527**	10,165,578
Asia and Middle East	**213,796**	141,832
Europe	**127,427**	215,048
Other	**214,895**	156,130
	32,272,645	10,678,588

3. exceptional administrative expenses

	2012 £	2011 £
Goodwill impairment charge – property information services	**3,537,539**	–
Goodwill impairment charge – packaging solutions	**600,000**	–
	4,137,539	–

There is no tax effect of the above exceptional administrative expenses.

4. operating profit

	2012 £	2011 £
Operating profit is stated after charging:		
Auditors' remuneration:		
– audit	**91,508**	82,208
– tax services	**4,605**	3,845
Depreciation	**1,303,116**	199,368
Amortisation of other intangible assets	**367,196**	375,826
(Profit)/loss on disposal of fixed assets	**(2,337)**	7,079
Loss on exchange differences	**1,756**	89
Operating lease rentals:		
– plant and machinery	**–**	14,596
– other assets	**355,026**	302,475
Hire of plant and machinery	**–**	621
Exceptional administrative expenses - Note 3	**4,137,539**	–
Research and development	**523,139**	507,367

notes to the financial statements

For the year ended 31 March 2012

4. operating profit (continued)

Tax services fees payable to Milsted Langdon LLP amounted to £2,000 (2011: £2,000). Remuneration for audit services amounted to £30,000 (2011: £30,000).

The auditors' remuneration for audit services includes £24,268 (2011: £13,283) attributable to the audit of Audiotel International Limited and Security Research Limited; £8,990 (2011: £8,750) attributable to the audit of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited; £24,750 (2011: £27,025) attributable to the audit of PSG Franchising Limited, PSG Yorkshire Limited and PSG Energy Limited and £3,500 (2011: £3,150) attributable to the audit of Ufford 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 £2,000 (2011: £1,000) payable to the auditors of Audiotel International Limited and Security Research Limited and £605 (2011: £845) payable to the auditors of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited.

5. staff costs

	2012 £	2011 £
Staff costs are as follows:		
Wages and salaries	**6,118,966**	3,004,398
Social security costs	**672,452**	303,497
Pension contributions	**68,683**	53,378
	6,860,101	3,361,273

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

	2012 Number	2011 Number
Administration	**22**	18
Production	**120**	54
Research and development	**10**	10
Sales and marketing	**6**	7
	158	89

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 £68,683 (2011: £53,378).

7. directors' remuneration

	Salary £	Bonus £	Pension contribution £	Other benefits £	**2012 Total £**	2011 Total £
Executive directors						
J P Mervis	120,000	50,000	–	–	**170,000**	80,000
J A Warwick	120,000	30,000	–	–	**150,000**	68,000
T M Brown	25,000	25,000	1,250	2,674	**53,924**	85,199
B C Connor	150,000	610,000	–	2,554	**762,554**	206,192
Non-executive directors						
J D G Holme	20,000	12,000	–	–	**32,000**	18,750
	435,000	727,000	1,250	5,228	**1,168,478**	458,141

In the year to 31 March 2012 costs of the share option scheme amounted to £Nil (2011: £Nil).

Two directors, J P Mervis and B C Connor, exercised share options during the year (2011: nil). Mr B C Connor, who is the highest paid director, exercised options in respect of 138,888 ordinary shares of 20p each at 72p per share.

8. finance costs

	2012 £	2011 £
Interest on late payment of corporation tax	–	276
	–	276

9. finance income

	2012 £	2011 £
Bank interest	**79,290**	28,761
Other interest	–	9
	79,290	28,770

10. income tax expense

	2012 £	2011 £
UK corporation tax at 26% (2011: 28%)	**3,025,907**	157,670
Over-provision in prior year	**(32,492)**	(20,835)
Current tax expense	**2,993,415**	136,835
Deferred tax (credit)/charge	**(170,182)**	17,234
	2,823,233	154,069

The tax for the year is lower than the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before taxation	**7,933,254**	1,139,133
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2011: 28%)	**2,062,646**	318,957
Effects of:		
Expenses not deductible for tax purposes	**22,708**	4,121
Depreciation less than capital allowances	**20,788**	(2,372)
Impairment charge not deductible for tax purposes	**1,075,760**	–
Marginal rate relief and lower tax rate in other jurisdictions	**(25,053)**	(39)
Research and development relief	**(236,485)**	(106,548)
Over-provision in prior year	**(32,492)**	(20,835)
Other tax adjustments	**(64,639)**	(39,215)
	2,823,233	154,069

The Group has a carried forward loss for capital gains purposes amounting to £2,776,540 (2011: £2,776,540).

11. profit/(loss) of Parent Company

	2012 £	2011 £
Profit/(loss) on ordinary activities after taxation	**1,859,548**	(1,911)

12. earnings per share

Basic earnings per share is calculated on the Group profit for the financial year of £5,110,021 (2011: £985,064) and on 25,865,197 ordinary shares, being the weighted average number of shares in issue in the year (2011: 25,907,657). Diluted earnings per share is calculated on the Group profit for the financial year and on 26,113,614 ordinary shares, being the weighted average number of shares in issue during the year adjusted to take account of shares under option (2011: 25,907,657).

Following the year end the company repurchased 1,838,211 ordinary shares. As a consequence the issued share capital is now 23,901,954 ordinary shares.

13. goodwill

Group	£
Cost	
At 1 April 2010	14,627,755
Additions	–
At 31 March 2011	14,627,755
Additions	–
At 31 March 2012	**14,627,755**
Impairment	
At 1 April 2010	5,513,322
Charge for year	–
At 31 March 2011	5,513,322
Charge for year	4,137,539
At 31 March 2012	**9,650,861**
Net book value	
At 31 March 2012	**4,976,894**
At 31 March 2011	9,114,433

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:

	2012 £	2011 £
Specialist electronics	**73,142**	73,142
Property information services	**3,416,694**	6,954,233
Packaging solutions	**1,487,058**	2,087,058
	4,976,894	9,114,433

Cumulative goodwill written off against reserves is £9,650,861 (2011: £5,513,322).

Goodwill written off during the year amounted to £3,537,539 relating to the goodwill of the property information services business and £600,000 relating to the packaging solutions business. In the case of property information services this reflects the fact that the level of housing transactions are unlikely to return to their previous levels for some considerable time and in the case of the packaging solutions business reflects the harsher climate for businesses in general.

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 up to 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 (2011: 5 years).
- A growth rate of up to 2.25% for the final 5 years (2011: 2.25%).
- The cash flows were discounted using a pre-tax discount rate of 5.0% (2011: 5.0%).

13. goodwill (continued)

Sensitivity analysis:
The value in use calculations in respect of the property information services division is dependent 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 5% 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.

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 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 further impaired.

14. other intangible assets

Group	Development costs £	Web design costs £	Total £
Cost			
At 1 April 2010	874,241	503,179	1,377,420
Additions	405,894	96,331	502,225
Disposals	(260,734)	(182,300)	(443,034)
At 31 March 2011	1,019,401	417,210	1,436,611
Additions	456,164	102,931	559,095
Disposals	(217,011)	(145,000)	(362,011)
At 31 March 2012	**1,258,554**	**375,141**	**1,633,695**
Amortisation			
At 1 April 2010	615,156	392,205	1,007,361
Charge for year	285,253	90,573	375,826
Disposals	(260,734)	(182,300)	(443,034)
At 31 March 2011	639,675	300,478	940,153
Charge for year	272,701	94,495	367,196
Disposals	(217,011)	(145,000)	(362,011)
At 31 March 2012	**695,365**	**249,973**	**945,338**
Net book value			
At 31 March 2012	**563,189**	**125,168**	**688,357**
At 31 March 2011	379,726	116,732	496,458

The components of other intangible assets are £563,189 in respect of development costs for the specialist electronics business segment and £125,168 in respect of web design costs for the property information services 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.

15. property, plant and equipment

Group	Freehold land and buildings £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 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
Additions	–	899,962	1,027,217	125,368	2,052,547
Disposals	–	–	(2,590)	(132,228)	(134,818)
At 31 March 2012	**190,474**	**986,686**	**2,268,472**	**235,038**	**3,680,670**
Depreciation					
At 1 April 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
Charge for year	4,071	529,016	707,217	62,812	1,303,116
Disposals	–	–	(1,970)	(61,070)	(63,040)
At 31 March 2012	**31,482**	**576,363**	**1,411,072**	**80,733**	**2,099,650**
Net book value					
At 31 March 2012	**158,992**	**410,323**	**857,400**	**154,305**	**1,581,020**
At 31 March 2011	163,063	39,377	538,020	162,907	903,367

15. property, plant and equipment (continued)

Company	Leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2010	59,052	44,228	103,280
Additions	–	–	–
Disposals	–	(8,572)	(8,572)
At 31 March 2011	59,052	35,656	94,708
Additions	–	847	847
Disposals	–	–	–
At 31 March 2012	**59,052**	**36,503**	**95,555**
Depreciation			
At 1 April 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
Charge for year	4,038	2,341	6,379
Disposals	–	–	–
At 31 March 2012	**23,714**	**35,751**	**59,465**
Net book value			
At 31 March 2012	**35,338**	**752**	**36,090**
At 31 March 2011	39,376	2,246	41,622

16. investments in subsidiaries

Company	£
Cost	
At 1 April 2010	16,599,087
Disposals	(99,000)
At 31 March 2011	16,500,087
Disposals	–
At 31 March 2012	**16,500,087**
Provision for impairment in value	
At 1 April 2010	4,008,474
Impairment charge	–
At 31 March 2011	4,008,474
Impairment charge	4,137,539
At 31 March 2012	**8,146,013**
Net book value	
At 31 March 2012	**8,354,074**
At 31 March 2011	12,491,613

subsidiaries

	Shares	Total £
Audiotel International Limited	69,114	1,432,412
Rochdale Development Company Limited	357,500	1,729,874
PSG Franchising Limited	180	5,190,788
Ufford PCC Limited	1,000	1,000
Patersons Financial Services Limited	40,002	–
At 31 March 2012		**8,354,074**

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	Specialist 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 Financial Services Limited (formerly PSG Marketing Limited)	2	23 August 2005	Non-trading	England
Security Research International Limited (formerly Electronic Search and Surveillance Limited)	1	19 October 2011	Non-trading	England
Security Research Group Limited (formerly PSG Financial Services Limited)	1	19 April 2005	Non-trading	England
Ufford 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	Specialist electronics	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	**2012 £**	2011 £
Raw materials and consumables	**832,907**	739,335
Work in progress	**363,308**	318,034
Finished goods and goods for resale	**116,420**	92,157
	1,312,635	1,149,526

The cost of inventories recognised as an expense during the year was £17,333,517 (2011: £1,664,231).

19. trade and other receivables

Group	2012 £	2011 £
Trade receivables		
Current unimpaired	**6,397,258**	3,762,499
Overdue unimpaired	**231,603**	168,863
Less: allowance for doubtful debts	**(63,621)**	(92,907)
	167,982	75,956
Net trade receivables	**6,565,240**	3,838,455
Prepayments and accrued income	**239,099**	235,501
Other receivables	**418,142**	216
	7,222,481	4,074,172

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:

	2012 £	2011 £
Up to 60 days	**15,640**	–
Between 60 and 90 days	**16,192**	41,777
Between 90 and 120 days	**123,084**	8,447
Over 120 days	**13,066**	25,732
	167,982	75,956

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:

	2012 £	2011 £
Balance at 1 April	**92,907**	78,652
Net amounts written off in year	**(47,042)**	(73,301)
Income statement charged	**17,756**	87,556
Balance at 31 March	**63,621**	92,907

Company	2012 £	2011 £
Prepayments and accrued income	**15,472**	18,192

The above debtors fall due within one year.

20. deferred tax asset/(liability)

Group	2012 £	2011 £
Movement		
At 1 April	**(45,135)**	(27,901)
Credit/(charge) in year	**170,182**	(17,234)
At 31 March	**125,047**	(45,135)

Credit/(charge) in year		
Accelerated/(decelerated) capital allowances	**155,466**	(17,234)
Other timing differences	**14,716**	–
	170,182	(17,234)

The Group holds losses for capital gains purposes amounting at 31 March 2012 to £2,776,540 (2011: £2,776,540). No deferred tax asset is recognised in respect of these capital losses.

21. trade and other payables

Group	2012 £	2011 £
Current		
Trade payables	**4,534,776**	900,178
Other payables	**42,262**	14,765
Other taxes and social security	**1,543,499**	751,313
Accruals and deferred income	**5,050,615**	736,909
	11,171,152	2,403,165

Company	2012 £	2011 £
Current		
Trade payables	**255**	349
Amounts owed to group undertakings	**345,500**	345,500
Other taxes and social security	**95,161**	51,236
Accruals and deferred income	**407,441**	58,134
	848,357	455,219

22. share capital

	2012		2011	
	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	**25,740,565**	**5,148,113**	27,533,240	5,506,648

1,338,888 ordinary shares of 20p each with an aggregate nominal value of £267,778 were issued during the year on exercise of share options and 1,505,980 ordinary shares of 20p each with an aggregate nominal value of £301,196 were purchased during the year for a total consideration of £3,083,155 and cancelled. 1,625,583 ordinary shares of 20p each with an aggregate nominal value of £325,117 which were held in treasury as at 1 April 2011 were also cancelled and no shares are now held in treasury.

The directors received the following consideration in respect of their shares being purchased by the Company. J P Mervis sold 237,562 ordinary shares, receiving consideration of £475,124, J A Warwick sold 8,733 ordinary shares receiving £17,466, T M Brown sold 4,456 ordinary shares, receiving £8,912, B C Connor sold 27,777 ordinary shares receiving £55,554 and J D G Holme sold 23,641 ordinary shares receiving £47,282.

23. share options

At 31 March 2012 share options were held by directors in respect of 841,112 shares analysed as follows:

Name	Number of shares	Option price per share	Exercisable
J A Warwick	190,476	50p	14/02/2008 - 14/02/2013
J A Warwick	159,524	50p	14/02/2008 - 14/02/2016
T M Brown	190,476	50p	14/02/2008 - 14/02/2013
T M Brown	109,524	50p	14/02/2008 - 14/02/2016
T M Brown	30,000	72p	02/04/2009 - 02/04/2017
B C Connor	161,112	72p	02/04/2009 - 02/04/2017

Options in respect of 1,338,888 ordinary shares at a weighted average price of 52.3p were exercised during the year. 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	Grant date 14 February 2006
Share price at grant date	72p	50p	50p
Exercise price	72p	50p	50p
Number of directors	2	2	2
Share options granted	330,000	571,428	1,278,572
Shares options remaining	191,112	380,952	269,048
Vesting period	2 years	2 years	2 years
Expected volatility	60%	60%	60%
Option life (years)	10	7	10
Risk free rate	5.37%	4.44%	4.44%
Fair value per option	26.2p	17.9p	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 2012 is shown below.

	2012 Number of shares	2011 Number of shares
Outstanding at 1 April	**2,180,000**	2,180,000
Granted	**–**	–
	2,180,000	2,180,000
Exercised	**(1,338,888)**	–
Outstanding at 31 March	**841,112**	2,180,000
Exercisable at 31 March	**841,112**	2,180,000

The weighted average option price at 31 March 2012 is 55.0p (2011: 53.3p).

The weighted average share price at the date of exercise was 57.3p.

The total charge for the year relating to employee share based payment plans was £Nil (2011: £Nil) all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £Nil (2011: £Nil).

24. 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 2012 the Group had financial assets as follows:

	2012 **£**	2011 £
Cash at bank	**17,268,743**	3,157,887

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.

25. financial commitments

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

	2012		2011	
Group	**Land and buildings** **£**	**Other** **£**	Land and buildings £	Other £
Within one year	**233,137**	**6,058**	214,466	5,775
In the second to fifth year	**499,500**	**12,301**	464,469	13,189
After five years	**351,000**	**–**	459,000	–
	1,083,637	**18,359**	1,137,935	18,964

26. post balance sheet events

On 10 May 2012, following a tender offer to all shareholders, 1,838,611 ordinary shares were purchased by the Company for a total cost of £4,184,336. As a result of this buy back the issued share capital of the Company is now 23,901,954 ordinary shares.

notice of annual general meeting

For 2012

Notice is given to all shareholders that the Annual General Meeting of PSG Solutions plc ("the Company") for 2012 will be held at the offices of the Company, 133 Ebury Street, London SW1W 9QU on 7 August 2012 at 12 noon for the transaction of the following business. Resolutions 1 to 4 inclusive and resolution 6 will be proposed as ordinary resolutions and resolutions 5, 7 and 8 will be proposed as special resolutions:

ordinary business

1. To receive the Company's annual accounts for the financial year ended 31 March 2012 together with the directors' report and the auditors' report on those accounts.
2. To re-appoint J D G Holme as director of the Company, who retires under Article 93 at the Annual General Meeting.
3. To re-appoint T M Brown 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 name of the Company be changed to Security Research Group plc.
6. 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 £1,851,887 provided that:

   6.1 this authority shall expire 15 months from the date of this resolution or at the Company's next Annual General Meeting, if earlier; and

   6.2 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.

7. That, subject to the passing of resolution 6 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 6 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   7.1 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;

   7.2 the allotment (otherwise than pursuant to 7.1 above) of equity securities up to an aggregate nominal amount of £1,029,622 (being approximately 20% of the 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.

8. That, subject to passing the above resolutions 6 and 7 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:

   8.1 The maximum number of Ordinary Shares hereby authorised to be purchased is 10,296,226 (representing 40% of the Company's issued Ordinary Share capital);

   8.2 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

8.3 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
6 July 2012
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, The Registry, 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 2012, the Company's issued share capital comprised 23,901,954 ordinary shares of 20p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

SOLUTIONS

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