



PSG Solutions plc

INTERIM REPORT 2011

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corporate synopsis

PSG Solutions plc ('the Group') comprises Specialist Electronics consisting of Audiotel International Limited and its subsidiary Security Research Limited, Property Information Services Businesses ('PSG') and Moore & Buckle (Flexible Packaging) Limited ('M&B').

The major contract award by a government agency to Security Research Limited, announced during the current period totalling £48.7million, marks a seismic shift in the size, shape and prospects of the Group. The turnover and profit in respect of Specialist Electronics substantially exceeds the turnover and profit previously achieved by any business in the Group in a six month period.

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

M&B provides specialist bespoke flexible packaging solutions.

highlights

- Group profit before taxation £3,864,000 (2010: loss £315,000).
- Specialist Electronics operating profit was £3,477,000 (2010: loss £67,000).
- PSG's operating profit was £484,000 (2010: loss £230,000).
- M&B's operating profit was £135,000 (2010: £142,000).
- Interest bearing assets were £16.3m (2010: £3.4m).

chairman's statement

for the six months ended 30 September 2011

Specialist Electronics

Securing the total contract award of £48.7million by Security Research Limited ("SR") from a Government Agency announced in respect of two tranches in May and August 2011 was the consequence of the dedication and the commitment of the entire team who had been working on the project for the previous 18 months. A high level of technical skill and motivation exists ensuring that the project remains on course for completion by October 2012. In order to achieve this objective SR has leased and fitted out a 30,000 sq.ft premises and installed dedicated production lines to facilitate delivery of the contract. Also a management and employee team of 170 has been engaged.

The scale of the increase in turnover of Specialist Electronics requires continual emphasis on compliance with demanding technical and operational specifications.

The Board recognises the inherent risks to be inferred from the circumstances outlined above.

Audiotel's traditional business has performed well considering the concentration of resource at SR and it has made a satisfactory contribution to the division's operating profit.

PSG

PSG has performed extremely well making an operating profit of £484,000 (2010: loss £230,000). It has achieved this during a period of low house sale volumes by increasing its market share of personal searches. PSG provides a local hands-on service to the home buyer and is set to capitalise on the value of that proposition.

Investment by PSG in IT systems, for example PSG Connect, provides a user friendly and efficient platform for the collation and delivery of specialised accurate and timely property reports.

PSG is updating its marketing strategy after consulting regularly with its 62 franchisees and taking into account their face-to-face experience with customers throughout the country.

PSG Energy has highly qualified expertise. It operates, however, in a field driven by regulation rather than commercial relevance. Since their inception EPCs have been and remain a box ticking exercise. Accordingly PSG Energy traded at break even.

The PSG team is lean, focused and effective. It is making a valuable franchisor contribution to serve both its franchisees and the market. Based on current performance in difficult trading circumstances PSG has a positive future, the extent of which depends on the timing of an upturn in the volume of house sales.

chairman's statement (continued)

for the six months ended 30 September 2011

M&B

M&B's operating profit of £135,000 (2010: £142,000) was marginally down from the first half of the previous financial year.

Share Tender Offer and Cash

In September this year the Group completed the successful tender offer on the basis of an offer to purchase one share for every eighteen held at 200p per share. The tender offer was oversubscribed with shareholders representing 96% of the issued share capital participating in the offer. Accordingly £3 million was distributed to shareholders.

It is intended to make a further tender offer by June 2012. More tender offers will be made as and when trading and cash flows permit.

Net cash currently stands at £16.3 million, however the great majority of this sum is committed to effecting delivery of the major government contract.

Outlook

Prospects for the Group are highly positive and will be further reinforced on the successful completion of the major Specialist Electronics contract. *Prima facie* there appear to be a variety of future opportunities for the Group which will be carefully considered.

Jonathan Mervis

Chairman

23 November 2011

consolidated income statement

for the six months ended 30 September 2011

	Six months ended 30 September 2011 Unaudited £000	Six months ended 30 September 2010 Unaudited £000	Year ended 31 March 2011 Audited £000
Revenue	20,808	4,132	10,678
Cost of sales	(12,050)	(1,993)	(4,811)
Gross profit	8,758	2,139	5,867
Administrative expenses	(4,913)	(2,470)	(4,756)
Operating profit/(loss)	3,845	(331)	1,111
Finance income	19	16	28
Profit/(loss) on ordinary activities before taxation	3,864	(315)	1,139
Income tax (expense)/credit	(970)	85	(154)
Profit/(loss) on ordinary activities after taxation	2,894	(230)	985
Basic earnings/(loss) per share	11.09p	(0.89)p	3.80p
Diluted earnings/(loss) per share	11.08p	(0.89)p	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 six months ended 30 September 2011

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

consolidated statement of changes in equity

for the six months ended 30 September 2011

	Share Capital £000	Retained Earnings £000	Share Premium £000	Capital Redemption Reserve £000	Total £000
At 1 April 2010	5,507	9,943	5	–	15,455
Loss for the period	–	(230)	–	–	(230)
At 30 September 2010	5,507	9,713	5	–	15,225
At 1 October 2010	5,507	9,713	5	–	15,225
Profit for the period	–	1,215	–	–	1,215
At 31 March 2011	5,507	10,928	5	–	16,440
At 1 April 2011	5,507	10,928	5	–	16,440
Issue of new ordinary shares on exercise of option	240	–	360	–	600
Purchase of ordinary share capital for treasury (including costs of £71,000)	–	(3,083)	–	–	(3,083)
Cancellation of own shares	(626)	–	–	626	–
Profit for the period	–	2,894	–	–	2,894
At 30 September 2011	5,121	10,739	365	626	16,851

consolidated statement of financial position

at 30 September 2011

	30 September 2011 Unaudited £000	30 September 2010 Unaudited £000	31 March 2011 Audited £000
Non-current assets			
Goodwill	9,115	9,115	9,115
Other intangible assets	581	407	496
Property, plant and equipment	837	618	903
	10,533	10,140	10,514
Current assets			
Inventories	2,391	1,514	1,150
Trade and other receivables	1,755	1,714	4,074
Current tax asset	–	21	38
Cash and cash equivalents	16,310	3,454	3,158
	20,456	6,703	8,420
Current liabilities			
Trade and other payables	(13,053)	(1,590)	(2,403)
Current tax liability	(1,040)	–	(46)
	(14,093)	(1,590)	(2,449)
Net current assets	6,363	5,113	5,971
Total assets less current liabilities	16,896	15,253	16,485
Non-current liabilities			
Deferred tax	(45)	(28)	(45)
Net assets	16,851	15,225	16,440
Represented by:			
Capital and reserves attributable to equity holders			
Called up share capital	5,121	5,507	5,507
Share premium account	365	5	5
Special reserve account	626	–	–
Retained earnings	10,739	9,713	10,928
Total equity	16,851	15,225	16,440

consolidated statement of cash flows

for the six months ended 30 September 2011

	Six months ended 30 September 2011 Unaudited £000	Six months ended 30 September 2010 Unaudited £000	Year ended 31 March 2011 Audited £000
Cash flows from operating activities			
Profit/(loss) before taxation	3,864	(315)	1,139
Adjustments for:			
Depreciation of property, plant and equipment	115	94	199
Amortisation of other intangible assets	198	191	376
(Profit)/loss on disposal of tangible assets	(1)	–	7
Interest receivable	(19)	(16)	(29)
Decrease/(increase) in receivables	2,319	333	(2,027)
Increase in inventories	(1,241)	(741)	(376)
Increase/(decrease) in payables	10,650	(237)	576
Cash generated from/(used in) operations	15,885	(691)	(135)
Income tax received/(paid)	62	(85)	(278)
Net cash generated from/(used in) operating activities	15,947	(776)	(413)

consolidated statement of cash flows (continued)

for the six months ended 30 September 2011

	Six months ended 30 September 2011 Unaudited £000	Six months ended 30 September 2010 Unaudited £000	Year ended 31 March 2011 Audited £000
Cash flows from investing activities			
Purchase of tangible assets	(84)	(33)	(443)
Purchase of other intangible assets	(283)	(228)	(502)
Proceeds from sale of tangible assets	36	8	20
Interest received	19	16	29
Net cash used in investing activities	(312)	(237)	(896)
Cash flows from financing activities			
Issue of share capital	600	–	–
Purchase of own shares	(3,083)	–	–
Cash used in financing activities	(2,483)	–	–
Net increase/(decrease) in cash and cash equivalents	13,152	(1,013)	(1,309)
Cash and cash equivalents at beginning of period	3,158	4,467	4,467
Cash and cash equivalents at end of period	16,310	3,454	3,158

notes to the interim financial statements

for the six months ended 30 September 2011

1. general information

The interim financial statements for the six months ended 30 September 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 22 November 2011.

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

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

The financial information for the six months ended 30 September 2011 set out in this interim report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2011 are extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. basis of preparation

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

3. accounting policies

The principal accounting policies used in preparing the interim financial statements and those the group expects to apply in its financial statements for the year ending 31 March 2012 are unchanged from those disclosed in the statutory financial statements for the year ended 31 March 2011.

notes to the interim financial statements (continued)

for the six months ended 30 September 2011

4. segmental analysis

	Six months ended 30 September 2011 Unaudited £000	Six months ended 30 September 2010 Unaudited £000	Year ended 31 March 2011 Audited £000
Revenue – operating segment			
Specialist electronics	17,461	691	4,094
Property information services	2,628	2,742	5,126
Packaging solutions	719	699	1,458
	20,808	4,132	10,678
Revenue – geographical area			
United Kingdom	20,530	3,785	10,165
Asia and Middle East	111	64	142
Europe	52	140	215
Other	115	143	156
	20,808	4,132	10,678

notes to the interim financial statements (continued)

for the six months ended 30 September 2011

4. segmental analysis (continued)

	Six months ended 30 September 2011 Unaudited £000	Six months ended 30 September 2010 Unaudited £000	Year ended 31 March 2011 Audited £000
Operating profit/(loss)			
Specialist electronics	*3,477	(67)	1,499
Property information services	484	(230)	(210)
Packaging solutions	135	142	302
Head office	(251)	(176)	(480)
	3,845	(331)	1,111

*Comprises operating profits earned by SR of £2,629,000 and by Audiotel of £848,000.

Net operating assets

Specialist electronics	(9,713)	1,252	2,886
Property information services	7,598	7,775	7,678
Packaging solutions	2,778	2,641	2,775
Head office	(122)	103	(57)
	541	11,771	13,282
Interest bearing assets	16,310	3,454	3,158
	16,851	15,225	16,440

notes to the interim financial statements (continued)

for the six months ended 30 September 2011

5. earnings per share

Basic earnings per share calculations have been arrived at by reference to the following profit and weighted average number of shares in issue during the period. The actual number of shares in issue at 30 September 2011 was 25,601,677.

	Six months ended 30 September 2011	Six months ended 30 September 2010	Year ended 31 March 2011
Profit/(loss) after tax	£2,894,000	£(230,000)	£985,000
Weighted average number of shares in issue	26,105,266	25,907,657	25,907,657
Basic earnings/(loss) per share	11.09p	(0.89)p	3.80p
Weighted average number of shares in issue adjusted to take account of shares under option	26,127,126	25,907,657	25,907,657
Diluted earnings/(loss) per share	11.08p	(0.89)p	3.80p



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