



PSG Solutions plc

INTERIM REPORT 2007

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corporate synopsis

PSG Solutions plc's main business is the Property Search Group ("PSG"). Through its exclusive franchised national distribution channel it is the largest private provider of home property local search reports to the conveyancing marketplace in England and Wales. It has already established itself as one of the leading providers of Home Information Packs ("HIPs") which were partially implemented in August of this year. PSG's franchisee network provides a local personalised service that is backed by a well respected National Brand.

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

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

highlights

- Profit before taxation £1.475 million (2006: £1.537million)
- Profit is after a £300,000 one-off charge resulting from expenditure relating to the introduction of HIPs and a £241,000 shortfall in Audiotel's operating profits. A strong order book for Audiotel in second half should remedy the shortfall for the full year.
- Strong cash flow, net cash in excess of £2,000,000 at the end of the period.
- PSG is already a leading participant in the fragmented HIP market.
- The full roll out of HIPs to all property listings is now to commence next month on 14 december as was announced last week. This should enhance greatly the opportunity for growth in profits and absorb comfortably the impact from a slowdown in the volume of home sales.

chairman's statement

for the six months ended 30 September 2007

All of the Group's businesses continued the positive trend of previous periods and have produced a creditable trading performance.

The profit before taxation was achieved after making important investments in the launch of the PSG HIP, and allowing for the two month delayed rollout, which has only been mandatory for homes of three bedrooms or more. Current industry estimates indicate that HIP regulations are only applicable to less than 40% of home sales.

The strength of the PSG Group can be seen in comparison to others within the industry as it emerges from the launch of HIPs where PSG has already captured a significant share of the market. PSG has been able to post commendable interim trading profits during this very turbulent trading period which included the start up costs for HIPs.

PSG

The appointment of a new Operations Director in March 2007 has strengthened the ability of PSG to trade through the uncertainty of a changing marketplace. The focus on provision of solid IT systems, a well supported franchise network and a service orientated marketing strategy has served PSG well during the launch and roll out of HIPs.

The last couple of months have seen a levelling off in demand for the traditional search market as the growth in residential home sales shows signs of a slowdown.

The growth in sales of ancillary products including insurance has been encouraging and provides the flexibility and diversification required to be successful during this period of change.

There has been a restructuring of senior management roles and the management team is now well placed to drive the company forward as the HIP marketplace develops fully.

External indicators show that PSG's market share has increased on a month by month basis since the start of HIPs at the beginning of August. The PSG franchisee network is impatiently anticipating the final extension on 14 december of the HIP roll out to the full residential market. The network is well prepared for the uptake and to grow its market share of HIPs from an impressive start.

chairman's statement

for the six months ended 30 September 2007

Audiotel

The first half of the year is not normally a busy time for Audiotel. Traditional sales orders tend to arrive in the latter part of the year as the relevant government agencies that make up the Audiotel customer base organise their yearly budgets and implement projects accordingly.

Audiotel has seen increased sales in its new Stealth Evolution range of surveillance equipment, and further developments have enabled it to feature additional products at recently well attended exhibitions in Paris and Newcastle.

The prototype of a new model Scanlock M3 was also featured at recent exhibitions. The project to develop this innovative counter surveillance receiver remains on schedule to deliver production units mid 2008.

An order of over £0.5million was received late September from a Far East government agency providing Audiotel with a full order book until the New Year.

M & B

This niche market packaging solutions business continues to trade profitably maintaining high margins based on its ability to provide excellent service and innovative solutions to its loyal customer base.

The management team together with its small but experienced dedicated workforce continue to enhance the reputation of M&B in the specialist packaging industry.

Outlook

In spite of a levelling off in the housing market and the piecemeal introduction of Home Information Packs the PSG Group performance in the period has been promising.

The profit is stated after the expenses associated with the launch of HIPs but includes only limited revenue from HIPs to date.

The PSG franchisee network has embraced the new opportunities provided by the introduction of HIPs and welcomes the decision to expand the provision of packs to all homes.

This imminent roll out of HIPs to two and one bedroom homes will provide PSG with the opportunity to increase profits in the short to medium term and to alleviate the effect of a drop in housing sales.

chairman's statement

for the six months ended 30 September 2007

The Group's strength has been that its management have adapted the business to deliver strong profits through a period of uncertainty and change.

Audiotel is now fully reorganised and well placed to make increased profits from incremental sales that are generated as a result of new developments in their product ranges. In addition M&B continue to provide a worthwhile contribution to Group profits and cash flow.

Jonathan Mervis

Chairman

26 November 2007

consolidated income statement

For the six months ended 30 September 2007

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Turnover			
Continuing operations	6,772	7,011	14,475
Acquisitions	–	–	93
	6,772	7,011	14,568
Cost of sales	(2,974)	(3,049)	(6,704)
Gross profit	3,798	3,962	7,864
Administrative expenses	(2,314)	(2,295)	(4,405)
Operating profit before exceptional items	1,484	1,667	3,459
Exceptional (charges)/credits	(34)	(83)	59
Operating profit			
Continuing operations	1,450	1,584	3,503
Acquisitions	–	–	15
	1,450	1,584	3,518
Interest payable	(74)	(97)	(160)
Interest receivable	99	50	163
Profit on ordinary activities before taxation	1,475	1,537	3,521
Taxation	(420)	(450)	(983)
Profit on ordinary activities after taxation	1,055	1,087	2,538
Basic earnings per share	3.88p	4.05p	9.41p
Diluted earnings per share	3.88p	4.05p	9.41p

* Restated under IFRS (see note 7)

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

consolidated balance sheet

at 30 September 2007

	30 September 2007 Unaudited £000	30 September 2006 Restated* Unaudited £000	31 March 2007 Restated* Audited £000
Non-current assets			
Goodwill	12,905	12,921	12,905
Other intangible assets	535	371	381
Tangible assets	520	573	525
Financial assets	479	1,007	650
	14,439	14,872	14,461
Current assets			
Inventories	672	638	585
Trade and other receivables	3,210	3,461	3,710
Derivative financial instruments	77	30	84
Deferred tax asset	99	–	70
Cash at bank and in hand	4,071	1,655	3,431
	8,129	5,784	7,880
Current liabilities			
Trade and other payables	(2,030)	(3,050)	(2,925)
Borrowings	(553)	(725)	(555)
Corporation tax payable	(1,272)	(507)	(927)
	(3,855)	(4,282)	(4,407)
Net current assets	4,274	1,502	3,473
Total assets less current liabilities	18,713	16,374	17,934
Non-current liabilities			
Borrowings	(1,387)	(1,877)	(1,633)
Deferred tax payable	(50)	–	–
Net assets	17,276	14,497	16,301

consolidated balance sheet (continued)

at 30 September 2007

	30 September 2007 Unaudited £000	30 September 2006 Restated* Unaudited £000	31 March 2007 Restated* Audited £000
Represented by:			
Capital and reserves			
Called up share capital	5,437	5,356	5,437
Share premium account	8,530	8,450	8,530
Profit and loss account	3,309	691	2,334
Shareholders' funds	17,276	14,497	16,301

*Restated under IFRS (see note7)

consolidated cash flow statement

for the six months ended 30 September 2007

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Cash flows from operating activities			
Profit before taxation	1,475	1,537	3,521
Adjustments for:			
Depreciation of plant and equipment	64	70	150
Depreciation of other intangible assets	92	103	277
Impairment loss	–	–	408
Loss on disposal of tangible assets	–	3	13
Loss on disposal of financial assets	34	83	105
Interest expense	74	97	160
Interest receivable	(99)	(50)	(163)
Share based payment expense	97	–	194
Decrease/(increase) in receivables	500	(683)	(930)
Decrease/(increase) in inventories	(87)	39	92
(Decrease)/increase in payables	(565)	67	(40)
Cash generated from operations	1,585	1,266	3,787
Interest paid	(74)	(97)	(160)
Corporation tax paid	(53)	7	(183)
Net cash from operating activities	1,458	1,176	3,444

consolidated cash flow statement (continued)

for the six months ended 30 September 2007

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Cash flow from investing activities			
Payment of deferred consideration	(330)	(560)	(952)
Payment to acquire goodwill	–	(50)	(50)
Purchase of tangible assets	(59)	(63)	(130)
Purchase of intangible assets	(246)	(183)	(369)
Proceeds from the sale of tangible assets	–	30	57
Proceeds from the sale of financial assets	136	147	482
Interest received	105	20	80
Net cash from investing activities	(394)	(659)	(882)
Cash flows from Financing activities			
Purchase of own shares	(176)	–	(15)
Payment of debt	(248)	(528)	(782)
Net cash used in financing activities	(424)	(528)	(797)
Net increase/(decrease) in cash and cash equivalents	640	(11)	1,765
Cash and cash equivalents at beginning of period	3,431	1,666	1,666
Cash and cash equivalents at end of period	4,071	1,655	3,431

*Restated under IFRS

notes to the consolidated cash flow statement

for the six months ended 30 September 2007

(i) reconciliation of net increase in cash to movement in net funds/debt

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Unaudited £000	Year ended 31 March 2007 Audited £000
Increase/(decrease) in cash for the period	640	(11)	1,765
Decrease in bank loans	245	504	908
Decrease in finance Leases	3	24	34
Increase in net funds	888	517	2,707
Net funds/(debt) at 1 April 2007	1,243	(1,464)	(1,464)
Net funds/(debt) at 30 September 2007	2,131	(947)	1,243

(ii) analysis of net funds/(debt)

	30 September 2007 Unaudited £000	30 September 2006 Unaudited £000	31 March 2007 Audited £000
Cash at bank and in hand	4,071	1,655	3,431
Short term bank loan	(550)	(710)	(550)
Long term bank loan	(1,387)	(1,877)	(1,632)
Finance lease	(3)	(15)	(6)
Net funds/(debt)	2,131	(947)	1,243

notes to the interim financial statement

for the six months ended 30 September 2007

1. adoption of International Financial Reporting Standards (IFRS)

Basis of preparation

For all periods up to 31 March 2007 PSG Solutions plc has prepared financial statements in accordance with UK Generally Accepted Accounting Principles (UK GAAP). AIM rules require the annual consolidated financial statements of PSG Solutions plc for the year to 31 March 2008 to be prepared in accordance with IFRS as adopted by the European Union.

Accordingly, the interim financial information for the six months ended 30 September 2007 has been prepared for the first time in accordance with the principles of IFRS and is covered by IFRS1, first time adoption of IFRS.

The information within these interim financial statements is in compliance with IAS 34 Interim Financial Reporting. However the company has elected not to apply IFRS retrospectively to business combinations which occurred before the date of transition to IFRS.

In preparing these interim financial statements the comparative figures previously reported under UK GAAP have been restated for the transition to IFRS. The disclosures required by IFRS 1 regarding the transition for the relevant periods are given in note 7 below. Other than the changes to accounting policies as a result of the adoption of IFRS, the same accounting policies have been followed in the interim financial statements as compared with the most recent annual financial statements. New accounting policies adopted under IFRS are as follows:-

Internally generated intangible assets - research and development expenditure including web design

Expenditure on development activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the groups development activity is recognised only if all the following conditions are met:-

- (i) an asset is created that is separately identifiable;
- (ii) it is probable that the asset created will generate future economic benefits; and
- (iii) the development cost of the asset can be measured reliably.

This intangible assets, less any impairment value, are then amortised on a straight line basis over their estimated economic life of three years.

notes to the interim financial statement

for the six months ended 30 September 2007

Interest rate swaps

The value of interest rate swaps in the balance sheet are at the quoted price in an active market as quoted by Lloyds TSB. Any change in value is recognised as income or expense in the income statement.

Financial assets

Investments have been treated as available for sale financial assets and have been valued at fair value. Fair value is based on the prices quoted on an active market if such a market is available. If an active market is not available the fair value is shown at the value the directors consider will be achievable for the disposal of the investment.

2. audit review

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

notes to the interim financial statement

for the six months ended 30 September 2007

3. segmental analysis

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Turnover			
Property search services	5,221	4,906	10,058
Financial services	225	234	490
Specialist electronics	608	1,228	2,711
Packaging solutions	718	643	1,309
	6,772	7,011	14,568
Operating profit/(loss)			
Property search services	1,556	1,490	3,042
Financial services	117	127	315
Specialist electronics	(45)	196	523
Packaging solutions	221	186	407
Head office	(365)	(332)	(828)
Exceptional items	(34)	(83)	59
	1,450	1,584	3,518
Net Operating Assets			
Property search services	788	540	424
Financial services	(97)	25	12
Specialist electronics	700	1,071	1,202
Packaging solutions	115	239	143
Head Office	13,639	13,569	13,277
	15,145	15,444	15,058
Interest bearing assets	4,071	1,655	3,431
Interest bearing liabilities	(1,940)	(2,602)	(2,188)
	17,276	14,497	16,301

*Restated under IFRS

notes to the interim financial statement

for the six months ended 30 September 2007

4. exceptional credits/(changes)

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Additional amount received from Moore & Buckle			
Directors Pension Scheme	–	–	572
Impairment - Moore & Buckle (Flexible Packaging) Limited	–	–	(408)
Loss on disposal of financial assets	(34)	(83)	(105)
	(34)	(83)	59

*Restated under IFRS

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 2007 was 27,183,240.

	Six months ended 30 September 2007 £000	Six months ended 30 September 2006 £000	Year ended 31 March 2007 £000
Profit after tax	1,055	1,087	2,538
Weighted average number of shares in issue			
Basic	27,183,240	26,783,240	26,969,267
Earnings per share	3.88p	4.05p	9.41p

Share options do not have a significant dilutive effect

notes to the interim financial statement

for the six months ended 30 September 2007

6. consolidated statement of changes in equity

	Six months ended 30 September 2007 Unaudited £000	Six months ended 30 September 2006 Restated* Unaudited £000	Year ended 31 March 2007 Restated* Audited £000
Opening shareholders' equity	16,301	13,410	13,410
Profit for period	1,055	1,087	2,538
Issue of share capital	–	–	160
Share based payments (including deferred tax)	96	–	208
Purchase of ordinary shares for treasury	(176)	–	(15)
Closing shareholders equity	17,276	14,497	16,301

*Restated under IFRS

7. transition from UK GAAP to IFRS

As required under IFRS1, the equity reconciliations at 1 April 2006 (the transition date for IFRS), at 30 September 2006 and at 31 March 2007 are set out below as are the reconciliation of income statements for the six months ended 30 September 2006 and for the year ended 31 March 2007.

notes to the interim financial statement

for the six months ended 30 September 2007

7.1 Reconciliation of equity at 1 April 2006

Note	As previously reported under UK GAAP £000	As at 1 April 2006 Effect of transition to IFRS £000	As restated under IFRS £000
Non-current assets			
Goodwill	12,871	–	12,871
Other intangible assets	a –	290	290
Tangible assets	613	–	613
Financial assets	b 375	862	1,237
	13,859	1,152	15,011
Current assets			
Inventories	677	–	677
Trade and other receivables	2,778	–	2,778
Corporation tax recoverable	26	–	26
Cash at bank and in hand	1,666	–	1,666
	5,147	–	5,147
Current liabilities			
Trade and other payables	(3,213)	–	(3,213)
Borrowings	(859)	–	(859)
Corporation tax payable	(76)	–	(76)
	(4,148)	–	(4,148)
Net current assets	999	–	999
Total assets less current liabilities	14,858	1,152	16,010
Non-current liabilities			
Trade and other payables	(330)	–	(330)
Borrowings	(2,270)	–	(2,270)
Net assets	12,258	1,152	13,410

notes to the interim financial statement

for the six months ended 30 September 2007

7.1 Reconciliation of equity at 1 April 2006 (continued)

	As previously reported under UK GAAP £000	As at 1 April 2006 Effect of transition to IFRS £000	As restated under IFRS £000
Represented by:			
Capital and Reserves			
Called up share capital	5,356	–	5,356
Share premium account	8,450	–	8,450
Profit and Loss Account	(1,548)	1,152	(396)
Shareholders' funds	12,258	1,152	13,410

Note		31 March 2006
	Total equity previously reported under GAAP	12,258
a	Adjustment re inclusion of development expenditure including web design	290
b	Adjustment re valuing financial assets at fair value	862
	Total equity under IFRS	13,410

notes to the interim financial statement

for the six months ended 30 September 2007

7.2 Reconciliation of equity at 30 September 2006

Note	As at 30 September 2006		
	As previously reported under UK GAAP £000	Effect of transition to IFRS £000	As restated under IFRS £000
Non-current assets			
Goodwill	12,921	–	12,921
Other intangible assets	a –	371	371
Tangible assets	573	–	573
Financial assets	b 228	779	1,007
	13,722	1,150	14,872
Current assets			
Inventories	638	–	638
Trade and other receivables	3,461	–	3,461
Derivative financial instruments	c –	30	30
Cash at bank and in hand	1,655	–	1,655
	5,754	30	5,784
Current liabilities			
Trade and other payables	(3,050)	–	(3,050)
Borrowings	(725)	–	(725)
Corporation tax payable	(507)	–	(507)
	(4,282)	–	(4,282)
Net current assets	1,472	30	1,502
Total assets less current liabilities	15,194	1,180	16,374
Non-current liabilities			
Borrowings	(1,877)	–	(1,877)
Net assets	13,317	1,180	14,497

notes to the interim financial statement

for the six months ended 30 September 2007

7.2 Reconciliation of equity at 30 September 2006 (continued)

	Note	As at 30 September 2006		
		As previously reported under UK GAAP £000	Effect of transition to IFRS £000	As restated under IFRS £000
Represented by;				
Capital and Reserves				
Called up share capital		5,356	–	5,356
Share premium account		8,450	–	8,450
Profit and Loss Account		(489)	1,180	691
Shareholders' funds		13,317	1,180	14,497

Note		30 September 2006
	Total equity previously reported under GAAP	13,317
a	Adjustment re inclusion of development expenditure including web design	371
b	Adjustment re valuing financial assets at fair value	779
c	Adjustment re valuing interest rate SWAP	30
	Total equity under IFRS	14,497

notes to the interim financial statement

for the six months ended 30 September 2007

7.3 Reconciliation of equity at 31 March 2007

Note	As at 31 March 2007		
	As previously reported under UK GAAP £000	Effect of transition to IFRS £000	As restated under IFRS £000
Non-current assets			
Goodwill	12,905	–	12,905
Other intangible assets	a –	381	381
Tangible assets	525	–	525
Financial assets	b 210	440	650
	13,640	821	14,461
Current assets			
Inventories	585	–	585
Trade and other receivables	3,710	–	3,710
Derivative financial instruments	c –	84	84
Deferred tax asset	70	–	70
Cash at bank and in hand	3,431	–	3,431
	7,796	84	7,880
Current liabilities			
Trade and other payables	(2,925)	–	(2,925)
Borrowings	(555)	–	(555)
Corporation tax payable	(927)	–	(927)
	(4,407)	–	(4,407)
Net current assets	3,389	84	3,473
Total assets less current liabilities	17,029	905	17,934
Non-current liabilities			
Borrowings	(1,633)	–	(1,633)
Net assets	15,396	905	16,301

notes to the interim financial statement

for the six months ended 30 September 2007

7.3 Reconciliation of equity at 31 March 2007 (continued)

	As previously reported under UK GAAP £000	As at 31 March 2007 Effect of transition to IFRS £000	As restated under IFRS £000
Represented by:			
Capital and reserves			
Called up share capital	5,437	–	5,437
Share premium account	8,530	–	8,530
Profit and loss account	1,429	905	2,334
Shareholders' funds	15,396	905	16,301

Note		31 March 2007
	Total equity previously reported under GAAP	15,396
a	Adjustment re inclusion of development expenditure including web design	381
b	Adjustments re valuing financial assets at fair value	440
c	Adjustments re valuing interest rate SWAP	84
	Total equity under IFRS	16,301

notes to the interim financial statement

for the six months ended 30 September 2007

7.4 Reconciliation of UK GAAP income statements to IFRS income statements

Note	Six months ended 30 September 2006			Year ended 31 March 2007		
	As previously reported under UK GAAP £000	Effect of transition £000	As restated under IFRS £000	As previously reported under UK GAAP £000	Effect of transition £000	As restated under IFRS £000
Turnover	7,011	–	7,011	14,568	–	14,568
Cost of sales	(3,049)	–	(3,049)	(6,704)	–	(6,704)
Gross profit	3,962	–	3,962	7,864	–	7,864
Administrative expenses	a (2,376)	81	(2,295)	(4,496)	91	(4,405)
Operating profit before exceptional items	1,586	81	1,667	3,368	91	3,459
Exceptional (charges)/ credits	b –	(83)	(83)	481	(422)	59
Operating profit	1,586	(2)	1,584	3,849	(331)	3,518
Interest payable	(97)	–	(97)	(160)	–	(160)
Interest receivable	c 20	30	50	80	83	163
Profit before taxation	1,509	28	1,537	3,769	(248)	3,521
Taxation	(450)	–	(450)	(983)	–	(983)
Profit after taxation	1,059	28	1,087	2,786	(248)	2,538
Earnings per share	3.95p	0.10p	4.05p	10.33p	(0.92)p	9.41p

Note

- a** Adjustment re development expenditure including web design
- b** Adjustment re valuing financial assets at fair value
- c** Adjustments re valuing interest rate SWAP



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