PSG SOLUTIONS PLC

FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2008

Highlights

- **Profit before taxation £3.24million (2007 £3.52 million) PSG's HIPs and property search business higher; downturn at Audiotel**
- **Profit achieved against housing downturn and introduction of HIPs**
- **The turbulence in the residential housing market makes it difficult to project forward with any degree of accuracy**
- **With the fluid state of the market, there is now opportunity to make acquisitions**
- **Audiotel orders have remained buoyant**
- **Net cash resources have increased during the year**

Jonathan Mervis, Chairman said "At present the dire state of home sales industry has made trading difficult, particularly as there is no sign yet of recovery. Opportunities however in such a market are bound to arise, and PSG intends to avail itself of them."

Chairman's Statement

It is pleasing to report a profit before tax of £3,240,738 compared with a profit of £3,522,646 last year. Turnover for the year was £14,467,419 compared with £14,568,255 last year. Encouragingly the Group's main business PSG Franchising Limited ("PSG") marginally increased its pre-tax profit, whilst the 8% drop in pre-tax profits is attributable in the main to trading at Audiotel.

The achievement of these results must be viewed against the backdrop of two recent material changes in the market place of the Group's main business; both of which occurred in the final quarter. The full introduction in January 2008 of mandatory Home Information Packs (HIPS) switched a substantial proportion of PSG's traditional local search market business from established franchisee relationships with the home purchaser's solicitor to the estate agents whose HIPs requirement is driven by the seller. The credit crunch, which during the year began to affect the residential market, has resulted in the well-publicised reductions in property values and mortgage availability. This has lead to a drop in home sales volumes.

Paradoxically these events are likely to generate new opportunities in the continuing turbulent market utilising PSG's financial strength and ability to deliver a national solution through the ubiquitous local presence of its franchisee network.

The Group Balance Sheet continues to strengthen with net cash at the year end of £2,254,877 (2007: £1,242,791) giving the Group a total cash resource of over £5,000,000.

At £273,569 (2007: £523,671) Audiotel's operating profit fell short of expectations Moore & Buckle made a steady £387,284.

A breakdown of pre-tax profit between the Group's activities for the years ended
31 March 2008 and 2007 are:

	2008	2007
	£'000	£'000
PSG Franchising	3,075	3,041
Audiotel	274	524
Moore & Buckle	387	407
Paterson Financial Services	273	315
	4,009	4,287
Less		
Head Office costs	(798)	(827)
	3,211	3,460
Add		
Finance income	58	4
	3,269	3,464
Exceptional (expenses)/credits	(28)	58
Total pre-tax profit	3,241	3,522

PSG

PSG, together with its franchisees, has transferred its focus to providing the HIP, (rather than purely local search) to a broadly new customer base of estate agents. The main content of the HIP is however the Search and the Energy Performance Certificate (EPC) which is compiled by accredited Domestic Energy Assessors (DEAs). The proprietary value in PSG having its own national network to obtain searches from the 380 Local Authorities and to commission EPCs through its own or local DEAs enables PSG to control more effectively the quality of key HIP components.

Through the recent establishment of an Association of PSG's network of Franchisees, PSG has been able to maintain a closer dialogue with its Franchisees. Having around 1,000 employees within the network it has been useful to exchange ideas and to develop the business together in such a rapidly changing market. A combined marketing campaign between PSG and its Franchisees has enabled the provision of a quality "hands on" service to the mainly new customer base of estate agents.

This strength of PSG in its local presence has traditionally worked extremely well with local authorities and solicitors. Similarly it has proved itself with estate agents. No competitor of significance can offer such a comprehensive and bespoke approach based on personal local relationships. Other providers normally depend heavily on remote call centres or websites, aggregating products from sub-contracted supplier panels, which are not always appropriate for customers expecting high standards of service and value for money.

As a result PSG has gained a market share in HIPs estimated to be in excess of 10%.

It has been encouraging to see that the reorganisation of PSG's wholly-owned West Yorkshire franchise based in Huddersfield has led it to become one of the best performing Franchisees within the company. This has enabled PSG to rely on West Yorkshire as a benchmark, test bed for IT releases and new products and for other innovations.

The IT Platform

At the heart of the business the maintenance and development of the IT platform remains a major factor in lifting PSG to another level of performance. Given the pace at which the market and technology is moving, the IT development programme is under continual review. The PSG network operates on its own systems specifically designed to meet its business requirements. The continuous review and improve strategy is a key factor in guaranteeing the success of PSG's offering.

Strategy and Business Development

Strategic development has become of greater significance in the current market. PSG is considering, as a matter of some priority, prospective additional services and products which are suited to enhance PSG's present portfolio. It is essential for PSG to leverage off its strong points particularly its network strength, established market share in search, EPCs and HIPS and strong financial resources, to be able to expand the product and service offering to the home transfer process.

Weakness in the market is creating stiff competition on price on the one hand, but increasing demand for quality and pressure on margins may lead to PSG ultimately gaining market share as weaker competitors exit from the market. PSG is set up as an attractive base with ample resource to process new business and anticipates frustrated industry customers finding a beneficial home with PSG.

PSG's business model for the supply of Search almost exclusively for solicitors who are local has been successfully adapted to provide HIPs to estate agents. HIPs have opened a national customer class namely regional chains of estate agents, house builders and developers who prefer a national provision. These national accounts fit comfortably with the Franchise structure and PSG is actively engaged in negotiating with potential national accounts to secure business for the whole network. As from 1st October 2008 the EPC will also become a mandatory pre-requisite for all new leases. Managing the delivery of EPCs into the leasehold and public housing market will become a new source of business for PSG.

Patersons Financial Services ('PFS')

The shifting of the customer base from purchaser's solicitor to seller's estate agent brought about by the introduction of HIPs requires PFS to focus exclusively on insurance products relating to search. In due course new products in this field will be offered through the network.

PFS however derives most of its income from providing insurance services to PSG. It successfully introduced an insurance "wrap" for the HIP providing indemnity up to £10m and enhancing customer confidence in the product.

Audiotel

Audiotel designs and manufactures surveillance and counter surveillance equipment for government agencies and a number of commercial clients. Following key organisational changes, Audiotel has streamlined all internal processes and procedures to become a fully integrated business through all its facets, particularly product development, manufacturing and sales. Virtually all of the product and software development is done in house. Audiotel has also substantially reduced its break-even level by decreasing its fixed costs. Turnover this year was £2,034,656 with a net operating profit of £273,569 (last year turnover £2,711,790, net operating profit £523,671). It follows that any incremental increase in sales will greatly enhance profits. Though the result was disappointing, Audiotel has continued to enhance its products, maintain its streamlined integrated manufacturing process and retain a blue chip customer base. It is expected that this will result in an improved performance in the current year.

Its full range of Technical Surveillance Countermeasures (TSCM) products contributed again to this year's business as another major order was received from the Far East for the SuperBroom non linear junction detectors and the Scanlock M2 scanning receiver.

The enhanced service handheld radio transceiver has been developed for eavesdropping surveillance work, at a time when law enforcement agencies including counter terrorism units are anticipated to increase demand. The new transceiver is much more compact, performs as well, and is as mobile as a cell phone. Its additional functionality for example enables the embedded sharp end devices (microphones) to be monitored for remaining battery life. A multi-lingual client interface will be user friendly to foreign law enforcement agencies. The new transceiver has software driven innovations to update functionality. There have been recent orders from a number of UK police authorities and a first order from the Royal Canadian Mounted Police.

Moore & Buckle
Moore & Buckle continues to thrive in the niche Flexible Packaging market. Turnover was up at £1,368,121 (2007 - £1,309,339) although profit was marginally down at £387,284 (2007 - £406,633) partly due to the cost of attaining the BRC (British Retail Consortium) hygiene standard.

The purchase of Barrier Foil Products was complicated by the tragic death of the former owner. Despite this Moore & Buckle feel the purchase is a good long term prospect for the business.

The installation of a new machine to produce Stand Up Pouches and a wide width slitter, in their purpose built factory, will help to maintain sales in a changing packaging industry.

In the current economic and environmental climate, Moore & Buckle feel well placed, with their broad customer base (Rolls Royce, Royal Mint, NHS, M.O.D.), to withstand any downturn in sales and profitability.

The ability of Moore & Buckle to achieve these exceptional margins depends on the continued support and commitment of its loyal workforce to maintain its reputation for service and quality.

Investments
The Group retains a 19% interest in Avatar Systems Inc. The Group continues to liaise with Avatar's management and principal shareholder.

The Board
As per the announcement of 4th April 2008 Tweedie Brown was appointed Deputy Chairman and Bernie Connor Group Chief Executive. With effect from the date of the Annual General Meeting in August this year I will become part time Chairman but will retain specific responsibility for strategy and acquisitions.

Employees
The internal changes at PSG going back over the past two years have enabled the formation of an excellent management team. The commitment shown by the management and employees at both Audiotel and Moore & Buckle during the period has been exemplary. The Board is grateful for both the loyalty and hard work of the employees across all the Group operations.

Outlook

- Current trading in the three months since the year end at PSG has been encouraging however the turbulence in the residential housing market makes it difficult to project forward with any degree of accuracy. Audiotel orders have remained buoyant.

- Increased market share should flow from a closer liaison with the franchisees on a day to day basis, and weaker competitors exiting the market.

- The transformation of the marketing pattern in the home transfer market after the introduction of HIPS has opened up the opportunity to obtain centrally new national accounts to distribute across the network.

- Due to the current fluid state of the market, there is now opportunity to develop or to acquire new products which would fit alongside PSG's business. These would add great value to the overall package offered to customers.

- The Group's internal resources have increased despite a less advantageous cash flow arising from HIPS. PSG continues to have the financial strength to support major acquisitions.

Jonathan Mervis
Chairman
30 June 2008

Enquiries

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Consolidated Income Statement
For the year ended 31 March 2008

	2008	2007
	£	£
Revenue		
Continuing operations	**14,467,419**	14,475,440
Acquisitions	**-**	92,815
	14,467,419	14,568,255
Cost of sales	**(6,914,973)**	(6,703,693)
Gross profit	**7,552,446**	7,864,562
Administrative expenses	**(4,341,893)**	(4,404,701)
Operating profit before exceptional items	**3,210,553**	3,459,861
Exceptional administrative (expenses)/ credits	**(28,114)**	58,469
Operating profit		
Continuing operations	**3,182,439**	3,503,697
Acquisitions	**-**	14,633
	3,182,439	3,518,330
Finance costs	**(133,361)**	(160,300)
Finance income	**191,660**	164,616
Profit on ordinary activities before taxation	**3,240,738**	3,522,646
Income tax expense	**(808,828)**	(983,367)
Profit on ordinary activities after taxation	**2,431,910**	2,539,279
Basic earnings per share	**9.16p**	9.41p
Diluted earnings per share	**8.99p**	9.32p

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

Consolidated Balance Sheet
As at 31 March 2008

	2008		2007	
	£	£	£	£
Non-current assets				
Goodwill		**13,027,978**		12,905,478
Other intangible assets		**512,064**		381,411
Property, plant and equipment		**615,016**		524,353
Financial assets		**300,000**		650,483
		14,455,058		14,461,725
Current assets				
Inventories	**590,812**		584,431	
Trade and other receivables	**4,390,728**		3,709,146	
Derivative financial instruments	**-**		83,915	
Current tax asset	**6,717**		-	
Deferred tax asset	**142,047**		70,485	
Cash and cash equivalents	**3,938,943**		3,431,401	
	9,069,247		7,879,378	
Current liabilities				
Trade and other payables	**(2,836,290)**		(2,924,371)	
Borrowings	**(552,079)**		(555,300)	
Current tax liability	**(514,318)**		(927,191)	
	(3,902,687)		(4,406,862)	
Net current assets		**5,166,560**		3,472,516
Total assets less current liabilities		**19,621,618**		17,934,241
Non-current liabilities				
Borrowings		**(1,131,987)**		(1,633,310)
Net assets		**18,489,631**		16,300,931

Represented by:		
Capital and reserves attributable to equity holders		
Called up share capital	**5,436,648**	5,436,648
Share premium account	**8,529,769**	8,529,769
Retained earnings	**4,523,214**	2,334,514
Total equity	**18,489,631**	16,300,931

Consolidated Cash Flow Statement
For the year ended 31 March 2008

	2008	2007
	£	£
Cash flows from operating activities		
Profit before taxation	**3,240,738**	3,522,646
Adjustments for:		
Depreciation of plant and equipment	**130,557**	150,237
Amortisation of other intangible assets	**231,358**	277,412
Impairment loss	**-**	408,474
Loss on swap	**31,415**	-
(Profit)/loss on disposal of tangible assets	**(1,744)**	12,411
Loss on disposal of financial assets	**28,114**	105,052
Interest expense	**133,361**	160,300
Interest receivable	**(223,075)**	(164,616)
Share based payment expense	**181,305**	193,963
Increase in receivables	**(716,582)**	(930,503)
(Increase)/decrease in inventories	**(6,381)**	92,368
Increase/(decrease) in payables	**241,919**	(40,299)
Cash generated from operations	**3,270,985**	3,787,445
Interest paid	**(133,361)**	(160,300)
Income tax paid	**(1,311,082)**	(182,861)
Net cash from operating activities	**1,826,542**	3,444,284
Cash flow from investing activities		
Payment of deferred consideration	**(330,000)**	(952,436)
Payment to acquire goodwill	**(87,500)**	(50,000)
Purchase of tangible assets	**(229,976)**	(130,959)
Purchase of other intangible assets	**(362,011)**	(368,709)
Proceeds from the sale of tangible assets	**10,500**	57,281
Proceeds from the sale of financial assets	**322,369**	481,565
Interest rate swap proceeds received	**52,500**	-
Interest received	**223,075**	80,701
Net cash from investing activities	**(401,043)**	(882,557)
Cash flows from financing activities		
Purchase of own shares	**(413,413)**	(14,955)
Payment of debt	**(504,544)**	(781,800)
Net cash used in financing activities	**(917,957)**	(796,755)
Net increase in cash and cash equivalents	**507,542**	1,764,972
Cash and cash equivalents at beginning of period	**3,431,401**	1,666,429
Cash and cash equivalents at end of period	**3,938,943**	3,431,401

Analysis of net funds

	At 1 April 2007 £	Cash flow £	**At 31 March 2008 £**
Cash and cash equivalents	3,431,401	507,542	**3,938,943**
Debt due within one year	(550,000)	-	**(550,000)**
Debt due after one year	(1,632,770)	500,783	**(1,131,987)**
Finance lease	(5,840)	3,761	**(2,079)**
	1,242,791	1,012,086	**2,254,877**

Notes to the Financials Statements

1. Accounting policies

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union (EU).

This is the Group's first financial statements to be prepared under IFRS, with the last financial statements for the year ended 31 March 2007 prepared under UK Generally Accepted Accounting Principles ('UK GAAP').

On transition to IFRS, an entity is required to apply IFRS retrospectively, except where an exemption is available under IFRS1. The following is a summary of the key elections from IFRS1 that were made by the Group:

- The group has adopted IAS39 (Financial Instruments: Recognising and Measurement) from April 2006. The adoption of IAS39 has led to the valuation of financial assets at fair value.
- The group has adopted IAS38 (Intangible Assets) from April 2006. The adoption of IAS38 has led to the capitalisation of website design and development costs.
- The transition from UK GAAP to IFRS has had the effect of increasing Group equity by £687,064 at 31 March 2008 (31 March 2007 - £905,428), and decreasing the consolidated profit by £218,364 in the year to 31 March 2008 (31 March 2007 decreasing profit by £246,786). This transition has also led to changes in the presentation and disclosure of the financial information contained therein.
- The transition from UK GAAP to IFRS has had the effect of increasing Company equity by £175,000 at 31 March 2008 (31 March 2007 - £524,017), and decreasing the company profit by £349,017 in the year to 31 March 2008 (31 March 2007 decreasing profit by £338,083). This transition has also led to changes in the presentation and disclosure of the information contained therein.

The transition from UK GAAP to IFRS does not affect the cash flows generated by the Group. The IFRS cash flow statement is presented in a different format than that required under UK GAAP. The reconciling items between the UK GAAP format and the IFRS format have no net impact on the cash flows generated and accordingly reconciliations have not been presented.

In the current year the Group has adopted IFRS7 (Financial Instruments: Disclosures) and the complementary amendment to IAS1 (Presentation of Financial Statements), which is effective for annual reporting periods beginning on or after 1 January 2007. The impact of adoption of IFRS7 and changes to IAS1 has been to expand the disclosures required in these financial statements regarding the Group's financial instruments and management of capital but has had no impact on the results or net assets of the Group.

The following interpretation used by the International Financial Reporting Interpretations Committee is effective for the current year and has been adopted in the financial statements. This is IFRC11 with respect to IFRS2 (Group Treasury Share Transactions). The adoption of this interpretation has had no impact on the results or net assets of the Group.

The following standards, amendments and interpretations to existing standards are not yet effective and have not been early adopted by the Group.

IFRIC12	'Service Concession Arrangements' effective for periods beginning on or after 1 January 2008
IFRIC14	'IAS19 the Limit on defined Benefit Asset, Minimum Funding Requirements and their Interaction' effective for periods beginning on or after 1 January 2008
IAS1 (Revised)	'Presentation of Financial Statements' effective 1 January 2009
IFRS3 (Revised)	' Business Combinations' effective 1 July 2009
IAS27 (Revised)	' Consolidated and Separate Financial Statements' effective 1 July 2009

The preparation of financial statements in accordance with IFRS 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 most significant judgements made relate to assumptions concerning goodwill. 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. 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.

2. Segmental analysis

	2008			2007		
	Revenue	**Operating profit/(loss)**	**Net operating assets**	Revenue	Operating profit/(loss)	Net operating assets
	£	**£**	**£**	£	£	£
Property information services	**10,615,158**	**3,074,868**	**1,547,717**	10,057,226	3,041,931	422,921
Financial services	**449,484**	**273,178**	**47,739**	489,900	315,154	12,371
Specialist electronics	**2,034,656**	**273,569**	**969,798**	2,711,790	523,671	1,202,675
Packaging solutions	**1,368,121**	**387,284**	**397,898**	1,309,339	406,633	142,674
Head office	**-**	**(798,346)**	**13,271,602**	-	(827,528)	13,277,499
	14,467,419	**3,210,553**	**16,234,754**	14,568,255	3,459,861	15,058,140
Exceptional items	**-**	**(28,114)**	**-**	-	58,469	-
	14,467,419	**3,182,439**	**16,234,754**	14,568,255	3,518,330	15,058,140
Interest bearing assets			**3,938,943**			3,431,401
Interest bearing liabilities			**(1,684,066)**			(2,188,610)
Net assets			**18,489,631**			16,300,931

3. Exceptional administrative (expenses)/ credits

	2008	2007
	£	£
Additional amount received from Moore & Buckle Directors' Pension Scheme	**-**	571,995
Goodwill written off - packaging solutions	-	(408,474)
Loss on disposal of investments	**(28,114)**	(105,052)
	(28,114)	58,469

The loss on disposal of investments is made up as follows:

	2008	2007
	£	£
Tomco Energy plc	**-**	79,654
Energy Technique plc	**(28,114)**	(185,056)
Other	**-**	350
	(28,114)	(105,052)

The Group accounting policy for investments is to state them at directors' valuation. Where this reduces the value of the investment below its cost, the deficit is reflected as a charge to the income statement.

There is no tax effect of the above profits on disposal of investments/(write down).

4. Earnings per share

Basic earnings per share are calculated on the Group profit for the financial year of £2,431,910 (2007: £2,539,279) and on 26,538,657 ordinary shares, being the weighted average number of shares in issue in the year (2007: 26,969,267). Diluted earnings per share are calculated on the Group profit for the financial year and on 27,056,410 ordinary shares, being the weighted average number of shares in issue during the year adjusted to take account of shares under option (2007: 27,248,508).

5. Distribution

Copies of the Group's audited statutory accounts for the year ended 31 March 2008 will be despatched to shareholders and the AIM team shortly. Copies will also be available to the public at the Company's office at 133 Ebury Street, London SW1W 9QU and on the company's website.