PSG Solutions plc

Interim Report

PSG Solutions plc (‘The Group’) comprises the Property Search Group ('PSG'), Audiotel International Limited (‘Audiotel’) and Moore & Buckle (Flexible Packaging) Limited ('M&B').

PSG is a major provider of residential property searches, Home Information Packs (HIPs) and Energy Performance Certificates (EPCs) to the property marketplace in England and Wales. It has established PSG Energy to develop energy driven related products for commercial and residential property. PSG trades both through its expanded wholly owned operation based in Yorkshire and its national network of PSG Brand Franchisees across England and Wales.

Audiotel is a leading manufacturer and supplier of audio surveillance and counter surveillance equipment mainly supplying state agencies. It has a portfolio of products and brands that are internationally respected.

M&B provides specialist bespoke flexible packaging solutions.

highlights

- Group profit before taxation of £349,000 (2008: £1,290,000).

- PSG’s operating profits were down at £289,000 (2008: £775,000). The substantial drop in the profits of PSG is due to two major factors affecting the property information marketplace. Firstly there have been continual regulatory changes associated with the introduction of HIPs and the personal searches within them that has caused a severe downward pressure on margins. Secondly there has been a fall off in the volume of monthly residential property sales of up to 75% as compared with the same months of the previous year.

- Audiotel’s operating profits were down at £78,000 (2008: £469,000). Although Audiotel’s comparative profit is lower, it carries forward a strong order book of £1.2m, all of which will be delivered by end of the current financial year. This is expected to lead to a recovery in profits in the second half of the year.

- M&B’s operating profits were steady at £106,000 (2008: £110,000).

- Cash flow remained positive with net cash of £4.1m (2008: £3.2m) at 30 September 2009.

Copies of the interim report will be distributed to shareholders shortly and will also be available on the company's website, www.psgsols.com.

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chairman's statement

for the six months ended 30 September 2009

PSG

PSG has maintained its position as one of the leading suppliers of both HIPs and personal searches. Aside from lower market volumes, PSG remains constricted by continuing and sometimes unlawful restriction of access to inspect the local authority records. Failings in the current regulatory regime applicable to HIPs, Search and EPCs enable a plethora of low cost/low quality competitors to provide products that do not pass the basic elements of compliance as specified by the regulations.

The threatened abolition of HIPs should the Conservatives form a new government will cause disruption and thus is likely to affect profits adversely in the short term. However, if the replacement for HIPs returns the role of gatekeeper of the process of home selling to the solicitor, PSG will benefit in two ways. Firstly by the solicitor being the traditional clients of PSG, and secondly, by the raising of standards through having a professional purchase process that is focussed on quality and value for money rather than, as at present in many cases, on the lowest cost.

Since 30th September PSG has acquired the Doncaster Franchise adjacent to its Huddersfield operation and merged the two operations into one. The acquisition has strengthened the senior management team and will enable PSG to pursue the increase of business through new initiatives and products.

Through PSG's dedicated training centre located in Barnsley, aptly named 'Learning Curve', PSG is able to disseminate new initiatives and product innovations to its clients and to its network of Franchisees.

PSG Energy is a newly created division concentrating on all aspects of Energy Assessment to both the domestic and the commercial property marketplace. To date widespread disregard of what should be the compulsory commercial EPCs has restricted market volumes. The skills and qualifications of PSG's in house team of energy assessors are being continually upgraded, enabling PSG Energy to offer a one stop shop for developers and architects by providing a diverse portfolio of services. This includes EPCs, DECs, SAPs, infra-red thermography, air pressure testing & sealing, acoustic testing, air conditioning inspections, code for sustainable homes, BREEAM assessments and bespoke energy consultancy.

Audiotel

Audiotel's operating profit of £78,000 whilst modest, does not take into account a carried forward order book totalling £1.2m that includes a single order from an international customer for just over £1m. This order was delivered in November.

Orders have been taken across the whole range of surveillance and counter surveillance products.

The size of the order book together with a good order intake in Audiotel's traditionally busiest period of trading of January to March will result in higher profits in the second half of the year.

M&B

M&B produced a similar operating profit at £106,000 to the previous year, despite difficult trading conditions.

Outlook

The Group balance sheet remains underpinned by its substantial cash resources. However, at PSG the lower volumes and margins will result in continuing lower profit levels although benefits are expected from the addition of the Doncaster team and the fact that focussed efforts are being channelled into a number of new initiatives and products.

Audiotel continues to extend its range of high quality products into the surveillance and counter surveillance market. Interest is growing and there was a record attendance, earlier this month, at Audiotel's Distributors Convention held in Corby.

Jonathan Mervis
Chairman
18 November 2009

consolidated statement of comprehensive income

for the six months ended 30 September 2009

	Six months ended 30 September 2009 Unaudited £000	Six months ended 30 September 2008 Unaudited £000	Year ended 31 March 2009 Audited £000
Revenue	**4,774**	6,208	10,109
Cost of sales	**(1,826)**	(2,052)	(4,873)
Gross profit	**2,948**	4,156	5,236
Administrative expenses	**(2,696)**	(3,018)	(4,097)
Operating profit before exceptional items	**252**	1,138	1,139
Exceptional administrative credits	**90**	81	81
Operating profit	**342**	1,219	1,220
Finance costs	**(5)**	(54)	(77)
Finance income	**12**	125	189
Profit on ordinary activities before taxation	**349**	1,290	1,332
Income tax expense	**(87)**	(405)	(414)
Profit on ordinary activities after taxation	**262**	885	918
Basic earnings per share	**1.02p**	3.46p	3.59p
Diluted earnings per share	**1.02p**	3.41p	3.59p

The consolidated income statement has been prepared on the basis that all operations are continuing operations.

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

consolidated statement of changes in equity

for the six months ended 30 September 2009

	Share Capital	Retained Earnings	Share Premium	Special Reserve	Total
	£000	£000	£000	£000	£000
At 1 April 2008	5,437	4,523	8,530	-	18,490
Transfer of share premium to special reserve	-	-	(8,530)	8,530	-
Purchase of ordinary share capital for treasury	-	(615)	-	-	(615)
Share based payments	-	21	-	-	21
Deferred tax on share based payments	-	(1)	-	-	(1)
Net profit for the period	-	885	-	-	885
At 30 September 2008	**5,437**	**4,813**	**-**	**8,530**	**18,780**
At 1 October 2008	5,437	4,813	-	8,530	18,780
Share based payments	-	23	-	-	23
Net profit for the period	-	33	-	-	33
At 31 March 2009	**5,437**	**4,869**	**-**	**8,530**	**18,836**
At 1 April 2009	5,437	4,869	-	8,530	18,836
Net profit for the period	-	262	-	-	262
At 30 September 2009	**5,437**	**5,131**	**-**	**8,530**	**19,098**

consolidated statement of financial position

at 30 September 2009

	30 September 2009 Unaudited £000	30 September 2008 Unaudited £000	31 March 2009 Audited £000
Non-current assets			
Goodwill	**13,027**	13,028	13,027
Other intangible assets	**436**	489	469
Property, plant and equipment	**600**	590	606
Assets held for sale	**-**	300	300
	14,063	14,407	14,402
Current assets			
Inventories	**894**	695	750
Trade and other receivables	**1,795**	2,684	2,224
Current tax asset	**31**	-	121
Deferred tax asset	**-**	90	-
Cash and cash equivalents	**4,374**	4,568	4,335
	7,094	8,037	7,430
Current liabilities			
Trade and other payables	**(1,423)**	(1,895)	(1,587)
Borrowings	**(263)**	(551)	(550)
Current tax liability	**(373)**	(353)	(286)
	(2,059)	(2,799)	(2,423)
Net current assets	**5,035**	5,238	5,007
Total assets less current liabilities	**19,098**	19,645	19,409
Non-current liabilities			
Borrowings	**-**	(865)	(573)
Net assets	**19,098**	18,780	18,836
Represented by:			
Capital and reserves attributable to equity holders			
Called up share capital	**5,437**	5,437	5,437
Special reserve account	**8,530**	8,530	8,530
Retained earnings	**5,131**	4,813	4,869

Total equity	**19,098**	18,780	18,836

consolidated statement of cash flows

for the six months ended 30 September 2009

	Six months ended 30 September 2009 Unaudited £000	Six months ended 30 September 2008 Unaudited £000	Year ended 31 March 2009 Audited £000
Cash flows from operating activities			
Profit before taxation	**349**	1,290	1,332
Adjustments for:			
Depreciation of property, plant and equipment	**64**	65	141
Amortisation of other intangible assets	**180**	190	347
Profit on disposal of assets held for sale	**(89)**	-	-
Interest expense	**5**	54	76
Interest receivable	**(12)**	(125)	(189)
Share based payment expense	**-**	22	43
Decrease in receivables	**429**	1,706	2,202
Increase in inventories	**(144)**	(104)	(159)
Decrease in payables	**(164)**	(941)	(1,249)
Cash generated from operations	**618**	2,157	2,544
Interest paid	**(5)**	(54)	(76)
Income tax received/(paid)	**90**	(509)	(617)
Net cash from operating activities	**703**	1,594	1,851

Cash flow from investing activities			
Payment to acquire goodwill	**-**	-	(34)
Purchase of tangible assets	**(58)**	(40)	(132)
Purchase of other intangible assets	**(147)**	(168)	(303)
Proceeds from assets held for sale	**389**	-	-
Interest received	**12**	125	189
Net cash from investing activities	**196**	(83)	(280)
Cash flows from financing activities			
Purchase of own shares	**-**	(614)	(614)
Payment of debt	**(860)**	(268)	(561)
Net cash used in financing activities	**(860)**	(882)	(1,175)
Net increase in cash and cash equivalents	**39**	629	396
Cash and cash equivalents at beginning of period	**4,335**	3,939	3,939
Cash and cash equivalents at end of period	**4,374**	4,568	4,335

Note - analysis of net funds

	30 September 2009 Unaudited £000	30 September 2008 Unaudited £000	31 March 2009 Audited £000
Cash and cash equivalents	**4,374**	4,568	4,335
Debt due within one year	**(263)**	(550)	(550)
Debt due after one year	**-**	(865)	(573)
Finance lease	**-**	(1)	-
Net funds	**4,111**	3,152	3,212

notes to the interim financial statements

for the six months ended 30 September 2009

1. general information

The unaudited results for the period ended 30 September 2009 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year 31 March 2009 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report 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 using consistent accounting policies as used in the preparation and filing of the statutory financial statements for the year ended 31 March 2009. They have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU).

The information within these interim financial statements is in compliance with IAS 34 "Interim Financial Reporting".

3. principal accounting policies

Except as described below, the principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009, as described in those financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009:

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The group has elected to present one statement, a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the chief executive.

4. segmental analysis

	Six months ended 30 September 2009 Unaudited £000	Six months ended 30 September 2008 Unaudited £000	Year ended 31 March 2009 Audited £000
Revenue			
Property information services	**3,058**	3,901	5,815
Financial services	**87**	209	339
Specialist electronics	**985**	1,448	2,669
Packaging solutions	**644**	650	1,286
	4,774	6,208	10,109
Operating profit/(loss)			
Property information services	**289**	775	519
Financial services	**(9)**	114	137
Specialist electronics	**78**	469	723
Packaging solutions	**106**	110	218
Head office	**(212)**	(330)	(458)
Exceptional items	**90**	81	81
	342	1,219	1,220
Net Operating Assets			
Property information services	**977**	1,298	1,267
Financial services	**19**	54	31
Specialist electronics	**504**	705	631
Packaging solutions	**635**	365	464
Head Office	**12,852**	13,206	13,231
	14,987	15,628	15,624
Interest bearing assets	**4,374**	4,568	4,335
Interest bearing liabilities	**(263)**	(1,416)	(1,123)
	19,098	18,780	18,836

5. exceptional administrative credits/(expenses)

	Six months ended	Six months ended	Year ended

	30 September	30 September	31 March
	2009	2008	2009
	Unaudited	Unaudited	Audited
	£000	£000	£000
Recovery of old debts	**-**	146	146
Abortive acquisition costs	**-**	(65)	(65)
Profit on assets held for sale	**90**	-	-
	90	81	81

6. 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 2009 was 25,557,657.

	Six months	Six months	Year
	ended	ended	ended
	30 September	30 September	31 March
	2009	2008	2009
	Unaudited	Unaudited	Audited
Profit after tax	**£262,000**	£885,000	£918,000
Weighted average number of shares in issue	**25,557,657**	25,557,657	25,557,657
Basic earnings per share	**1.02p**	3.46p	3.59p
Weighted average number of shares in issue adjusted to take account of shares under option	**25,557,657**	25,972,882	25,557,657
Diluted earnings per share	**1.02p**	3.41p	3.59p