

PSG Solutions plc

INTERIM REPORT 2008

PSG Solutions plc's main business is the Property Search Group ('PSG'). Through its exclusive franchised national distribution channel it is a major provider of residential property search reports to the conveyancing marketplace in England and Wales. It is also one of the leading providers of Home Information Packs ('HIPs') which, in January this year were made a mandatory prerequisite for all home sales. 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 audio surveillance and audio 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 £1.290m (2007: £1.475m).
- The drop in profits reflected a fall of 50% in PSG's operating profit from £1.556m to £775,000. By contrast Audiotel's operating profits were £469,000 (2007: £45,000 loss). Moore & Buckle's operating profits were £110,000 (2007: £221,000).
- Cash flow remained positive with net cash in excess of £3m at the end of the period.
- PSG has become a leading provider of HIPs, though its share of this market is significantly smaller than for search, due to easier access to the HIPs market for competitors.
- The halving in the number of housing transactions, along with the structural changes as a consequence of HIPs has both reduced volumes and profit margins substantially. The resultant turmoil in the industry will continue to have an even sharper negative effect upon the future trading of both PSG and its competitors.
- PSG is reviewing its strategy and cost base to meet the current challenges to protect its profitability. It has established PSG Energy to provide Energy Assessment related services to both commercial and residential markets utilising the strength of the PSG franchisee network to expand this new operation as quickly as possible.

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

Enquiries

| | | |
|---------------------------|-------------------|---------------|
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chairman's statement

for the six months ended 30 September 2008

PSG

As mentioned, PSG has become one of the leading suppliers of HIPs. During the period under review

HIPs have been a mandatory prerequisite for all sales of residential property in England and Wales. Previously PSG's market for Property Searches had been mainly within the gift of around 4,000 high street solicitors, who were PSG's long standing widely dispersed customer base. The HIPs regulations transferred the initiative for ordering a HIP, (which now must include the Property Search within the HIP) mainly to estate agents and chain conveyancers. As a result, PSG no longer has its traditional solicitor customer base for Property Search, and also faces competition from a wide constituency of HIP providers.

At present as the volume of total home sales continues to fall with margins also being squeezed, PSG continues to review its cost base to ensure optimum profitability in the current deteriorating trading conditions.

PSG Energy has been recently established to provide Energy Assessment related services for commercial and domestic properties. PSG's national coverage through its well established network of franchisees should make it well placed to secure new and more profitable business especially in the commercial arena where PSG's infrastructure, size and focus on quality provide it with advantages over a number of other competitors joining the marketplace.

Audiotel

The performance of Audiotel has been more encouraging with an operating profit of around £500,000. This was due to two major orders from Asia for various products in Audiotel's counter surveillance range, and for orders from Canada (Royal Canadian Mounted Police) and the USA for Audiotel's latest "Stealth" surveillance equipment.

Further new developments in Audiotel's counter surveillance range are soon to be released with a new model Scanlock M3 ready to be marketed globally early in 2009. This new model outperforms the Scanlock M2 in many areas and will provide opportunities for new sales and also upgrades to an existing loyal customer base.

Whilst customer orders remain unpredictable, continuous product development has enhanced the prospects for increasing turnover. Orders for the new Stealth Evolution surveillance range have been encouraging emanating from both UK and foreign law enforcement agencies.

Audiotel continues to have the capacity to handle substantially increased turnover on the same cost base.

M & B

Although this niche market packaging solutions business traded profitably, it did so at a reduced level, halving its operating profit during the period.

There is no indication that trading will improve for the full year.

Outlook

The market for search and HIPS remains weak and extremely competitive making it difficult for decent returns to be made.

The early development of PSG Energy should strengthen the overall product offering and enable diversification into new markets although such diversification will not flow through to profits for some time.

The future profitability levels of Audiotel and Moore & Buckle are uncertain due to the downturn in the global economy.

Overall conditions for the Group remain challenging. Whilst results for the first half showed a reasonable level of profitability this is not expected to be repeated in the second half, and thus results for the year to 31 March 2009 will be significantly less than current market expectations.

Jonathan Mervis

Chairman

25th November 2008

consolidated income statement

for the six months ended 30 September 2008

| | | <i>Six months ended</i> | | Six months ended | Year ended |
|--|--------------|--------------------------|----------------|-------------------|---------------|
| | | <i>30 September 2008</i> | | 30 September 2007 | 31 March 2008 |
| | | <i>Unaudited</i> | | Unaudited | Audited |
| | <i>Notes</i> | £ | 000 | £ | 000 |
| Revenue | | | | | |
| Continuing operations | | | 6,208 | 6,772 | 14,467 |
| Cost of sales | | | (2,052) | (2,974) | (6,915) |
| Gross profit | | | 4,156 | 3,798 | 7,552 |
| Administrative expenses | | | (3,018) | (2,314) | (4,342) |
| Operating profit before exceptional items | | | 1,138 | 1,484 | 3,210 |
| Exceptional administrative credits/ (expenses) | 4 | | 81 | (34) | (28) |
| Operating profit | | | 1,219 | 1,450 | 3,182 |
| Continuing operations | | | 1,219 | 1,450 | 3,182 |
| Finance costs | | | (54) | (74) | (133) |
| Finance income | | | 125 | 99 | 192 |
| Profit on ordinary activities before taxation | | | 1,290 | 1,475 | 3,241 |
| Taxation | | | (405) | (420) | (809) |
| Profit on ordinary activities after taxation | | | 885 | 1,055 | 2,432 |
| Basic earnings per share | 5 | | 3.46p | 3.92p | 9.16p |
| Diluted earnings per share | | | 3.41p | 3.84p | 8.99p |

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 2008

| | Share Capital | Retained Earnings | Special reserve | Share Premium | Total |
|--------------------------------------|---------------|-------------------|-----------------|---------------|---------------|
| | £ | 000 | £ | 000 | £ |
| | 000 | 000 | 000 | 000 | 000 |
| At 1 April 2007 | 5,437 | 2,334 | – | 8,530 | 16,301 |
| Purchase of ordinary share capital | | | | | |
| for treasury | – | (176) | – | – | (176) |
| Share based payments | – | 97 | – | – | 97 |
| Deferred tax on share based payments | – | (1) | – | – | (1) |
| Net profit for the period | – | 1,055 | – | – | 1,055 |
| At 30 September 2007 | 5,437 | 3,309 | – | 8,530 | 17,276 |
| At 1 October 2007 | 5,437 | 3,309 | – | 8,530 | 17,276 |

| | | | | | |
|--|--------------|--------------|--------------|--------------|---------------|
| Purchase of ordinary share capital | | | | | |
| for treasury | – | (237) | – | – | (237) |
| Share based payments | – | 84 | – | – | 84 |
| Deferred tax on share based payments | – | (10) | – | – | (10) |
| Net profit for the period | – | 1,377 | – | – | 1,377 |
| At 31 March 2008 | 5,437 | 4,523 | – | 8,530 | 18,490 |
| 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 |

consolidated balance sheet

at 30 September 2008

| | <i>30 September</i> | 30 September | 31 March |
|---|---------------------|--------------|----------|
| | <i>2008</i> | 2007 | 2008 |
| | <i>Unaudited</i> | Unaudited | Audited |
| £ | <i>000</i> | £ | £ |
| <i>Non-current assets</i> | | | |
| Goodwill | 13,028 | 12,905 | 13,028 |
| Other intangible assets | 489 | 535 | 512 |
| Property, plant and equipment | 590 | 520 | 615 |
| Financial assets | 300 | 479 | 300 |
| | 14,407 | 14,439 | 14,455 |
| <i>Current assets</i> | | | |
| Inventories | 695 | 672 | 591 |
| Trade and other receivables | 2,684 | 3,210 | 4,390 |
| Derivative financial instruments | – | 77 | – |
| Current tax asset | – | – | 7 |
| Deferred tax asset | 90 | 99 | 142 |
| Cash and cash equivalents | 4,568 | 4,071 | 3,939 |
| | 8,037 | 8,129 | 9,069 |
| <i>Current liabilities</i> | | | |
| Trade and other payables | (1,895) | (2,030) | (2,836) |
| Borrowings | (551) | (553) | (552) |
| Current tax liability | (353) | (1,272) | (514) |
| | (2,799) | (3,855) | (3,902) |
| <i>Net current assets</i> | 5,238 | 4,274 | 5,167 |
| <i>Total assets less current liabilities</i> | 19,645 | 18,713 | 19,622 |
| <i>Non-current liabilities</i> | | | |
| Borrowings | (865) | (1,387) | (1,132) |

| | | | |
|--|---------------|--------|--------|
| Deferred tax payable | – | (50) | – |
| Net assets | 18,780 | 17,276 | 18,490 |
| Represented by: | | | |
| Capital and reserves attributable to equity holders | | | |
| Called up share capital | 5,437 | 5,437 | 5,437 |
| Share premium account | – | 8,530 | 8,530 |
| Special reserve account | 8,530 | – | – |
| Retained earnings | 4,813 | 3,309 | 4,523 |
| Total equity | 18,780 | 17,276 | 18,490 |

consolidated cash flow statement

for the six months ended 30 September 2008

| | <i>Six months ended 30 September 2008 Unaudited</i> | Six months ended 30 September 2007 Unaudited | Year ended 31 March 2008 Audited |
|--|---|--|--|
| | £ | £ | £ |
| <i>Cash flows from operating activities</i> | | | |
| Profit before taxation | 1,290 | 1,475 | 3,241 |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 65 | 64 | 131 |
| Amortisation of other intangible assets | 190 | 92 | 231 |
| Loss on interest rate swap | – | – | 32 |
| (Profit) on disposal of tangible assets | – | – | (2) |
| Loss on disposal of financial assets | – | 34 | 28 |
| Interest expense | 54 | 74 | 133 |
| Interest receivable | (125) | (99) | (223) |
| Share based payment expense | 22 | 97 | 181 |
| Decrease/(increase) in receivables | 1,706 | 500 | (717) |
| (Increase) in inventories | (104) | (87) | (6) |
| (Decrease)/increase in payables | (941) | (565) | 242 |
| Cash generated from operations | 2,157 | 1,585 | 3,271 |
| Interest paid | (54) | (74) | (133) |
| Income tax paid | (509) | (53) | (1,311) |
| Net cash from operating activities | 1,594 | 1,458 | 1,827 |
| <i>Cash flow from investing activities</i> | | | |
| Payment of deferred consideration | – | (330) | (330) |
| Payment to acquire goodwill | – | – | (87) |
| Purchase of tangible assets | (40) | (59) | (230) |
| Purchase of other intangible assets | (168) | (246) | (362) |
| Proceeds from the sale of tangible assets | – | – | 11 |
| Proceeds from the sale of financial assets | – | 136 | 322 |

| | | | |
|--|--------------|-------|-------|
| Interest rate swap proceeds received | – | – | 52 |
| Interest received | 125 | 105 | 223 |
| Net cash from investing activities | (83) | (394) | (401) |
| <i>Cash flows from Financing activities</i> | | | |
| Purchase of own shares | (614) | (176) | (413) |
| Payment of debt | (268) | (248) | (505) |
| Net cash used in financing activities | (882) | (424) | (918) |
| Net increase in cash and cash equivalents | 629 | 640 | 508 |
| Cash and cash equivalents at beginning of period | 3,939 | 3,431 | 3,431 |
| Cash and cash equivalents at end of period | 4,568 | 4,071 | 3,939 |

Note – analysis of net funds

| | 30 September | | 30 September | | 31 March | |
|---------------------------|---------------------|--------------|--------------|---------|----------|---------|
| | 2008 | | 2007 | | 2008 | |
| | Unaudited | | Unaudited | | Audited | |
| | £ | 000 | £ | 000 | £ | 000 |
| Cash and cash equivalents | | 4,568 | | 4,071 | | 3,939 |
| Debt due within one year | | (550) | | (550) | | (550) |
| Debt due after one year | | (865) | | (1,387) | | (1,132) |
| Finance lease | | (1) | | (3) | | (2) |
| Net funds | | 3,152 | | 2,131 | | 2,255 |

notes to the interim financial statements

for the six months ended 30 September 2008

1. 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 2008. 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”.

2. audit review

These interim financial statements do not constitute statutory financial statements within the meaning of the Companies Act 1985 and have not been subject to a review by our company auditors.

3. segmental analysis

| | Six months | | Six months | | Year | |
|--|---------------------|-----|--------------|-----|----------|-----|
| | ended | | ended | | ended | |
| | 30 September | | 30 September | | 31 March | |
| | 2008 | | 2007 | | 2008 | |
| | Unaudited | | Unaudited | | Audited | |
| | £ | 000 | £ | 000 | £ | 000 |

Revenue

| | | | |
|---------------------------------------|----------------|---------|---------|
| Property information services | 3,901 | 5,221 | 10,615 |
| Financial services | 209 | 225 | 449 |
| Specialist electronics | 1,448 | 608 | 2,035 |
| Packaging solutions | 650 | 718 | 1,368 |
| | 6,208 | 6,772 | 14,467 |
| <i>Operating profit/(loss)</i> | | | |
| Property information services | 775 | 1,556 | 3,075 |
| Financial services | 114 | 117 | 273 |
| Specialist electronics | 469 | (45) | 273 |
| Packaging solutions | 110 | 221 | 387 |
| Head office | (330) | (365) | (798) |
| Exceptional items | 81 | (34) | (28) |
| | 1,219 | 1,450 | 3,182 |
| <i>Net Operating Assets</i> | | | |
| Property information services | 1,298 | 788 | 1,548 |
| Financial services | 54 | (97) | 47 |
| Specialist electronics | 705 | 700 | 970 |
| Packaging solutions | 365 | 115 | 398 |
| Head Office | 13,206 | 13,639 | 13,272 |
| | 15,628 | 15,145 | 16,235 |
| Interest bearing assets | 4,568 | 4,071 | 3,939 |
| Interest bearing liabilities | (1,416) | (1,940) | (1,684) |
| | 18,780 | 17,276 | 18,490 |

4. exceptional administrative credits/(expenses)

| | <i>Six months ended 30 September 2008 Unaudited</i> | Six months ended 30 September 2007 Unaudited | Year ended 31 March 2008 Audited |
|--|---|--|--|
| £ | 000 | £ 000 | £ 000 |
| Recovery of old debts | 146 | – | – |
| Abortive acquisition costs | (65) | – | – |
| (Loss) on disposal of financial assets | – | (34) | (28) |
| | 81 | (34) | (28) |

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 2008 was 25,557,657.

| | <i>Six months ended 30 September 2008</i> | Six months ended 30 September 2007 | Year ended 31 March 2008 |
|------------------|---|---|-----------------------------------|
| Profit after tax | 885,000 | 1,055,000 | 2,432,000 |

| | | | |
|---|-------------------|------------|------------|
| Weighted average number of shares in issue | 25,557,657 | 26,913,657 | 26,538,657 |
| Basic earnings per share | 3.46p | 3.92p | 9.16p |
| Weighted average number of shares in issue adjusted to take account of shares under option | 25,972,882 | 27,431,410 | 27,056,410 |
| Diluted earnings per share | 3.41p | 3.84p | 8.99p |