PSG Solutions plc

ANNUAL REPORT AND ACCOUNTS 2007

chairman’s statement

chairman's statement

As at 31 March 2007

A breakdown of pre-tax profit between the Group's activities for the years ended 31 March 2007 and 2006 are:

	2007 £'000	2006 £'000
PSG Franchising	**2,995**	2,138
Audiotel	**479**	272
Moore & Buckle	**407**	412
Paterson Financial Services	**315**	224
	4,196	3,046
Less		
Head Office costs	**(827)**	(1,023)
Interest	**(80)**	(461)
	3,289	1,562
Exceptional gains / (losses)	**480**	(2,272)
Total pre-tax profit/(loss)	**3,769**	(710)

It is a pleasure to report a profit before tax of £3,769,432 compared with a loss of £710,617 last year. Net of exceptional gains this year of £480,467 the profit before tax was £3,288,965. Turnover for the year was £14,568,255 compared with £12,907,546 last year.

These results were achieved after substantial increased investment at PSG Franchising Limited ("PSG") in staff, marketing, larger premises and legal protection for personal search. Substantial ongoing investment is being made to develop the IT systems for delivery of Personal Search, related products and the nascent Home Information Packs (HIPS). All significant costs relating to the above have been charged against profits.

The Group Balance Sheet has strengthened considerably with net cash at year end of £1,242,791 compared to borrowings of £1,463,981 last year.

PSG delivered 328,000 (280,000 last year) personal searches during the year equating to about 25% of home sales and 50% of the personal search sector. Together with its franchisees, PSG is well prepared to provide HIPS, as and when they become mandatory.

PSG has a local presence spread nationally through its 83 franchisees across England and Wales to provide a service to solicitors, estate agents, surveyors and mortgage providers. This "hands on" presence combined with an IT system, that when further developed, will be able to deliver more products on line to captive clients. This platform and the national sales force gives PSG a unique conduit to sell into the conveyancing process.

Audiotel and Moore & Buckle made satisfactory operating profits of £479,292 and £406,633 respectively. Steady progress was made in the disposal in part of the Group's holdings in some of its investments.

PSG

PSG is the leading provider of local authority residential property searches in England and Wales.

The success of the business and the potential for maximising profits is geared to the co-operation engendered between PSG as franchisor with its franchisees. The franchisees have in aggregate around 800 employees who give the operation an exceptional capacity nationally to market services and products locally to high street customers. Home selling and conveyancing benefits significantly from a hands on personal touch. PSG's model is exceptional and no competitor has a similar coverage. Most are considerably smaller, and are either regional or rely more heavily on call centres or websites. This makes PSG an attractive conduit to deliver not only its own products but also the products of others into the conveyancing industry.

With or without HIPS their potential advent has afforded the opportunity to the franchisees to expand their solicitor client base and to establish new business relationships with many other high street providers of products and services into the home transfer industry – mainly estate agents.

The IT Pipeline

The IT pipeline is the major single key development required to lift PSG to another level of performance. An effective IT system enables the franchisor to manage the business performance of the franchisees, plan an effective marketing strategy and easily furnish the customer with what he wants. Progress with the new system had been slow previously. Radical changes in the management of the IT development were adopted in April 2007 and the Board is determined to ensure that there is a system in place to deliver PSG's full potential on the back of its formidable Personal Search business. If franchisee feedback is a reliable indicator their response to the most recent release relating to the new HIPs ordering system was very positive.

Management

In April 2007, Tweedie Brown became the Group Managing Director with additional responsibility across the Group. Bernie Connor managing director of Audiotel, was appointed Director of Group Operations and is now responsible for the day to day operations at PSG. Other key appointments have been an experienced and qualified head of finance the first since PSG was acquired by the Group in 2004, and the third of three new business development/franchise support managers.

The senior management team has been re-structured to enable each executive to assume responsibility and maintain focus on their respective, clearly-defined management roles.

HIPS

There is a substantial opportunity for PSG through HIPS due to the increased and added value afforded to the HIP and its content. The challenge is for PSG to convert as many searches as possible into PSG delivered HIPS. Whereas currently the customer for Personal Search is exclusively the solicitor, for HIPS the main customer conduit becomes the estate agent. The saga of the ever changing implementation of the HIPS process has been reported fully in the press. At the time of writing, uncertainty still remains as to the content, procedures and timing of implementation of the HIP within the home conveyancing process. PSG's inherent strength, as mentioned, is a 'local presence' backed by a national brand. This USP provides PSG with a distinct advantage against the competition and enables the franchise network to not only market HIPS but also to retain the greatest capacity of the 'traditional' market for Personal Search nationally in volume terms.

These factors will assume greater significance as HIPS is fully implemented. In fact the requirement for Personal Search is forecast to rise by 50% to cater for homes advertised for sale but not sold. PSG has been actively involved in the pilot provision of HIPS and recent experiences have been encouraging where the franchisees have been marketing successfully to new estate agent customers.

Central to the latest version of HIPS is the provision of an Energy Performance Certificate(EPC) by a Domestic Energy Assessor (DEA) which is intended to be provided prior to marketing of a property. The ability to supply both a search and an EPC combined with PSG's marketing strength will be invaluable in securing an attractive HIPS market share. It follows that with DEAs in short supply, PSG has established a joint scheme with its franchisees to put in place a rapid and cost effective route to provide training for DEAs. This initiative is in addition to a number of the franchisees investing significant sums for the training of their own DEAs. If the EPC is fully introduced PSG will benefit considerably.

PSG has made an arrangement with the Ministry of Defence to sponsor HM Forces' personnel as part of their resettlement package to undergo training as Home Inspectors and to be employed by any of the franchisees as demand dictates. Home Inspectors are the regulated providers of the Home Condition Report, originally to be a mandatory prerequisite to a HIP. These reports ceased to be mandatory in July 2006. They always have been however the raison d'etre of a HIP. Their training incorporates that of a DEA role as well as of Home Inspector. Twenty six Service-Leaver students are on the first course and subsequent courses are already planned. When the HIPS era is properly established these home inspectors will contribute to the PSG HIPS offering.

Marketing HIPS

PSG has used the introduction of HIPS to promote its brand and services to new categories of customers, mainly local estate agents. Assiduous local marketing by hardworking franchisees coupled with national brand awareness is likely to reward the PSG network by attracting significant market shares within their territories when HIPS arrive in full. New marketing and PR support provided by PSG has been used to good effect by many of the franchisees.

Protecting PSG's Legal Rights

On a daily basis PSG's franchises have to contend with Local Authorities illegally restricting free access to the Land Charges and other public registers, whilst at the same time using their own unfettered access to sell their products commercially. Despite such anti-competitive behaviour amounting to an abuse of the Local Authorities' dominant market position, PSG's franchisees have still managed, often in trying circumstances, to produce commendable results. The Company continues to press for fair treatment within the law and has prosecuted its case in the courts as well as with Ministers and officials at the Communities and Local Government Department, the Department for Constitutional Affairs, the Office of Fair Trading and the Department for Trade and Industry. Cases, both nationally and locally, are fought by our legal and lobby advisers, using the very best legal opinion available in Public and Competition Law. PSG recognises the true significance to its business of its rights in law and will never shirk from protecting and enforcing them. Over £1 million has been spent in recent years.

Paterson Financial Services

Paterson Financial Services ("PFS") derives most of its income from providing insurance services to PSG and increased its income in line with the growth in personal search. It continues to develop innovative insurance products for example insuring environmental risk and a number of insurances for HIPS. The IT distribution pipeline will over a period enable these products to be delivered seamlessly.

Audiotel

Audiotel designs and manufactures surveillance and counter surveillance equipment for government agencies and a growing 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. Most 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 £2.7million with a net operating profit of £479,000. It follows that any incremental increase in sales will greatly enhance profits.

It's full range of Technical Surveillance Countermeasures (TSCM) products contributed to this year's successes culminating in a major order from Indonesia for the SuperBroom non linear junction detectors and the Scanlock M2 scanning receiver which are used to detect covert listening devices, hidden cameras, concealed mobile phones and other hidden electronics even when switched off.

The RoomGuard anti – eavesdropping system was specifically developed to provide 24/7 RF surveillance protection mainly for the corporate and commercial market. There has been slow progress with the deployment of these systems due in part to the resistance of labour intensive sweep teams who may be wary of RoomGuard's threat to themselves. The product however has some notable benefits in that it affords round the clock cover and can be deployed in multiple installations globally that can be monitored centrally by a dedicated security team. Trials are under way with a major global corporate with that objective. CasinoGuard, a system similar in nature to RoomGuard has been developed and deployed in a number of prime London Casinos including The Ritz and The Colony Club. This system is targeted at the early detection of 'Advantage Gaming', a problem that is estimated to involve major losses to casinos running into £200,000 to £300,000 each occurance.

A new 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 user interface will be user friendly to foreign law enforcement agencies. The new transceiver has software driven innovations to update functionality. A new cradle for the transceiver will enable the global relay of the surveillance data to any location.

One notable success in the year was a two day Distributor Conference held at its base near Corby attended by most of Audiotel's sales agents from around the world. This event enabled network to learn at first hand about existing and new products and proved to be a valuable input for future development and marketing strategies. The company and the delegates that attended both applauded the success of the event and as a result it is hoped that it will become a more regular occurrence.

Moore & Buckle

Moore & Buckle, based at St Helens proved its consistency by producing operating profits of £407,000 on a turnover of £1,309,000. These are exceptional margins which have been produced consistently. They result from the diligent commitment of a loyal and skilled team led by the Managing Director Bruce Pritchard. The high level of service required restricts the growth rate of this business to short run specialist flexible packaging requiring bespoke solutions.

Clean room facilities have been introduced for hygiene approval to supply packaging to the food industry. It is proposed to acquire a local Barrier Foil Packager which will add turnover of around £170,000 and works on similar margins to Moore & Buckle.

Improvements in all aspects of the business are constantly being made which underpin the future reliability of the return.

In view of the above, the Board is comfortable with retaining ownership in the absence an offer to buy out the business from the Group on a reasonable basis.

Investments and Subsidiaries

The Group has disposed of its entire interest in Tomco Energy plc (formerly Netcentric Investments plc) and a 1.62% interest in Energy Technique plc leaving the Group with a 6.6% holding in that company. Avatar Systems Inc., in which the Group owns a 19% interest, made a small acquisition, but has found it difficult to generate overall profit growth. The Group continues to review its options as to the future of its holding with Avatar's management. 1st Mortgage Company Limited was liquidated during the year as it had ceased to trade.

Exceptional Credits

As well as the profit on the disposal of Tomco Energy plc of £268,000 and the profit on the disposal of Energy Technique plc totalling £49,000 exceptional credits additionally included a credit of £163,000 in connection with the original acquisition of Moore & Buckle.

The Board

During the year Tweedie Brown moved from Operations Director to Group Managing Director. Bernie Connor was appointed a Director responsible for Group Operations splitting his role between Audiotel and PSG. James Rae a senior executive with the Consensus Group became a Non Executive Director. John Burley has recently given notice that he is resigning as a Non Executive Director from the Board, effective from 18th September 2007.

Employees

At PSG the year has been dominated by the on/off implementation of HIPS and the development of the IT system which has taxed the ingenuity and resource of employees and the Franchisees for which we are grateful. The management and employees at Audiotel and Moore & Buckle have delivered commendable trading performances and demonstrated outstanding commitment.

Outlook

- The Group has strengthened its position substantially, turning round a pre tax loss of £710,617 to a pre tax profit in excess of £3.7million.

- Continued growth in the Personal Search Market through the PSG Franchisee Network (with or without

HIPS) will provide the platform to market new products and services to its existing customer base.

- PSG has recently taken on new management, implemented a disciplined approach and provided additional finance to ensure that an effective workable IT pipeline is put in place. Once the IT challenge is overcome it will provide the key to rapid growth as additional products and services can flow through.

- HIPS, partially or fully implemented, provides an opportunity for growth. The PSG franchisee network, local presence backed up by a national brand, provides a USP against its competitors gives it a prime position to take advantage of the new business generated by the implementation of HIPS.

- The continued delay and uncertainty regarding the implementation of HIPS will mean some additional costs running into 2008 which may partially negate the continued progress that the PSG group will make.

- The Group now has the internal resources and the backing of its financial advisers and bankers to support a major investment opportunity. Management are determined to take advantage of the Group's strengths.

Jonathan Mervis
Chairman
27 June 2007

directors, secretary and advisors

directors
Jonathan Philip Mervis
Chairman and Chief Executive

John Arthur Warwick FCA
Finance Director

Tweedie McGarth Brown CBE
Executive Director

Bernard Cavan Connor
Executive Director

John David Gawain Holme FCA
Non-executive Director

John Martin Burley
Non-executive Director

Julie Amanda Hester
Non-executive Director

William James Rae
Non-executive Director

All of whose business address is
133 Ebury Street, London SW1W 9QU

registered office
133 Ebury Street
London SW1W 9QU

company secretary
John Arthur Warwick FCA

auditors
Milsted Langdon
Chartered Accountants
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

nominated advisor and broker
Shore Capital & Corporate Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

solicitors to the Company
Keeble Hawson
Protection House
16-17 East Parade
Leeds LS1 2BR

principal bankers
Lloyds TSB Bank plc
Corporate Markets
1st Floor
25 Gresham Street
London EC2V 7HN

directors' report

As at 31 March 2007

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2007.

principal activities

The principal activities of the Group are those of the sale and operation of property search franchises together with property searches; manufacture and sale of specialist electronic equipment; manufacture of flexible packaging products; and financial services.

review of business

A report on the business of the Group is provided in the Chairman's statement.

future plans

Future plans for the Group are referred to in the Chairman's statement.

results

The Group's profit and loss account for the period is set out on page 13 of the financial statements.

dividends

The directors do not recommend payment of a dividend.

research and development

Audiotel International Limited continues its policy of investment in research and development in order to retain a competitive position in its market.

directors

The directors of the Company during the financial period were:

J P Mervis
J A Warwick
T M Brown
B C Connor (appointed 2 April 2007)
J D G Holme
J M Burley
J A Hester
W J Rae (appointed 7 August 2006)

J M Burley has given notice of his resignation. This will take effect on 18 September 2007.

Under the terms of the acquisition of PSG Franchising Limited, G Hester has been appointed as alternate director for J A Hester.

contracts for directors' services and emoluments

The principal terms of the contracts entered into by directors for the provision of their services are summarised below:

	Effective date of contract	Current annual remuneration £	Director's Position
J P Mervis	5 January 2006	110,000	Chief Executive
J A Warwick	5 January 2006	48,000	Finance Director
T M Brown	10 January 2005	85,000	Executive Director
B C Connor	3 April 2006	100,000	Executive Director
J D G Holme	5 January 2006	15,000	Non-executive Director
J M Burley	25 June 2004	21,000	Non-executive Director
J A Hester	25 June 2004	15,000	Non-executive Director
W J Rae	—	—	Non-executive Director

The remuneration of T M Brown and J A Hester is paid by PSG Franchising Limited and that of B C Connor by Audiotel International Limited.

Under an agreement John Burley Public Relations Consultants Limited, a company controlled by J M Burley, is entitled to fees for the provision of public relations and consultancy services, at the rate of £96,000 per annum.

directors' report

As at 31 March 2007

substantial shareholders

On 18 June the Company's register of shareholders showed the following interests in 3% or more of the Company's issued share capital:

	20p ordinary shares	%
G Hester	2,752,297	10.12
Wheddon Limited	3,525,252	12.97
Southwind Limited	3,475,768	12.79
Willbro Nominees Limited	2,158,640	7.94
Artemis Investment Management Limited	2,235,000	8.22
Directors' shareholdings:		
J P Mervis	937,500	3.45
J A Warwick	150,000	0.55
T M Brown	20,000	0.07
J D G Holme	201,500	0.74
J A Hester	2,752,297	10.12

donations

During the year the Company donated £3,841 (2006: £2,046) to charities.

payment of creditors

The Group's policy in relation to all of its suppliers is to agree payment terms with individual suppliers in advance, and ensure that these suppliers are aware of those terms and abide by such terms.

The Company's creditor payment days as at 31 March 2007 for trade creditors were 25 days (2006: 25 days).

acquisition of the company's own shares

Further to the shareholders resolution dated 7 August 2006, the company purchased 25,000 ordinary shares of 20p each with a nominal value of £5,000, and representing 0.1% of the company's called up ordinary share capital, for a consideration of £14,955. The reason for the purchase was to reduce surplus cash balances and to enhance earnings per share.

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity, foreign exchange rates and interest rates. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

(b) foreign exchange risk

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. Under the Group's foreign exchange policy, such transactions are recorded at the rate of exchange prevailing at the transaction date.

(c) interest rate risk

The interest rate risk profile of financial liabilities is as detailed in Note 27.

directors indemnities

The company has taken out third party indemnity insurance for the benefit of the directors during the year which remains in force at the date of this report.

directors' report

As at 31 March 2007

directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Milsted Langdon be re-appointed as auditors of the Company will be put to the Annual General Meeting.

There is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

John Warwick
Company Secretary
27 June 2007

corporate governance

For the year ended 31 March 2007

Being a Company whose shares are admitted to AIM, the Company is not a listed Company and therefore is not required to comply with the Combined Code. The Board has however adopted the following:

Board committees

The Board has two sub-committees, the Audit Committee and the Remuneration Committee, both of which include the Finance Director.

the Audit Committee

The Audit Committee is chaired by J D G Holme FCA, with its other members being J A Warwick FCA and J M Burley. Any director may attend by invitation. The external auditors may be invited to attend the meetings and have direct access to members of the Committee. The Audit Committee may examine any matters relating to the financial affairs of the Company including reviews of the annual and interim financial statements, announcements, internal control procedures and accounting policies.

the Remuneration Committee

The Remuneration Committee, which is chaired by J D G Holme FCA, reviews the performance of the executive directors, considers and approves all Board and senior executive appointments, remuneration and benefits including share options and service contracts. J A Warwick FCA and J M Burley are the other members of the Committee.

internal financial control

The directors are responsible for the Group's system of internal financial control. A system can only provide reasonable and not absolute assurance regarding:

- the safeguarding of assets against unauthorised use or disposition;
- the minimisation of risk of material loss whilst in pursuit of the Group's business objectives; and
- the maintenance of proper accounting records and the reliability of financial information within the business or for publication.

Due to the size of the Group, a key control procedure during the year was the close day-to-day supervision by the executive directors.

auditor independence

The Audit Committee reviews the services provided by the external auditors at least on an annual basis. This review includes consideration of the confirmation of independence which the external auditors provide to the Company on an annual basis and of the services which they provide to the Group, in order to ensure that their independence is not compromised.

relations with shareholders

The directors seek to ensure that all shareholders are kept informed about the Group and its activities. A comprehensive annual report and accounts and an interim report are sent to shareholders and there is frequent dialogue with institutional investors. The Annual General Meeting provides shareholders with the opportunity to meet and question directors. Details of the resolutions to be proposed at the Annual General Meeting, to be held on 8 August 2007 are set out in the notice of Annual General Meeting which is attached to this report.

going concern

The directors consider, after making appropriate enquiries, that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

independent auditors' report to the members of PSG Solutions plc

For the year ended 31 March 2007

We have audited the Group and Parent Company financial statements (the "financial statements") of PSG Solutions plc for the year ended 31 March 2007 which comprise the Group Profit and Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report or for the opinions we have formed.

respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of the Group's and the Parent Company's affairs as at 31 March 2007 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Milsted Langdon

Chartered Accountants and Registered Auditors
Taunton
27 June 2007

group profit and loss account

For the year ended 31 March 2007

	Note	2007 £	2006 £
Turnover			
Continuing operations	2	**14,475,440**	12,418,257
Acquisitions		**92,815**	489,289
		14,568,255	12,907,546
Cost of sales	3	**(6,703,693)**	(6,168,783)
Gross profit		**7,864,562**	6,738,763
Administrative expenses	3	**(4,495,998)**	(4,716,053)
Operating profit before exceptional items		**3,368,564**	2,022,710
Exceptional administrative credits/ (expenses)	4	**480,467**	(2,272,315)
Operating profit/ (loss)			
Continuing operations	5	**3,834,398**	(399,508)
Acquisitions		**14,633**	149,903
		3,849,031	(249,605)
Interest payable	9	**(160,300)**	(471,410)
Interest receivable	10	**80,701**	10,398
Profit/ (loss) on ordinary activities before taxation		**3,769,432**	(710,617)
Taxation	11	**(983,367)**	12,797
Retained profit/ (loss) for the year	25	**2,786,065**	(697,820)
Basic profit/ (loss) per share	13	**10.33p**	(3.76p)
Diluted profit/ (loss) per share	13	**10.33p**	(3.75p)

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

The notes on pages 18 to 36 form part of these financial statements.

group balance sheet

As at 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Intangible assets	14		**12,905,478**		12,871,450
Tangible assets	15		**524,353**		613,324
Investments	16		**210,381**		375,000
			13,640,212		13,859,774
Current assets					
Stocks	18	**584,431**		676,799	
Debtors	19	**3,779,631**		2,804,025	
Cash at bank and in hand		**3,431,401**		1,666,429	
		7,795,463		5,147,253	
Creditors: amounts falling due within one year	21	**(4,406,862)**		(4,148,197)	
Net current assets			**3,388,601**		999,056
Total assets less current liabilities			**17,028,813**		14,858,830
Creditors: amounts falling due after more than one year	22		**(1,633,310)**		(2,600,697)
Net assets			**15,395,503**		12,258,133
Represented by:					
Capital and reserves					
Called up share capital	23		**5,436,648**		5,356,648
Share premium account	25		**8,529,769**		8,449,769
Profit and loss account	25		**1,429,086**		(1,548,284)
Shareholders' funds	26		**15,395,503**		12,258,133

Approved by the Board on 27 June 2007.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 18 to 36 form part of these financial statements.

company balance sheet

As at 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	15		**74,819**		33,039
Investments	16		**14,368,584**		15,960,582
			14,443,403		15,993,621
Current assets					
Debtors	19	**3,049,260**		2,035,116	
Cash at bank and in hand		**773,520**		224,530	
		3,822,780		2,259,646	
Creditors: amounts falling due within one year	21	**(1,996,075)**		(3,203,470)	
Net current assets/ (liabilities)			**1,826,705**		(943,824)
Total assets less current liabilities			**16,270,108**		15,049,797
Creditors: amounts falling due after more than one year	22		**(1,632,770)**		(2,448,428)
Net assets			**14,637,338**		12,601,369
Represented by:					
Capital and reserves					
Called up share capital	23		**5,436,648**		5,356,648
Share premium account	25		**8,529,769**		8,449,769
Profit and loss account	25		**670,921**		(1,205,048)
Shareholders' funds	26		**14,637,338**		12,601,369

Approved by the Board on 27 June 2007.

Jonathan Mervis
Director

John Warwick
Director

The notes on pages 18 to 36 form part of these financial statements.

group cash flow statement

For the year ended 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash inflow from operating activities	(i)		**3,418,736**		1,677,309
Returns on investments and servicing of finance					
Bank interest received		**80,701**		10,398	
Bank interest paid		**(156,798)**		(463,761)	
Interest element of finance lease payments		**(3,502)**		(7,649)	
			(79,599)		(461,012)
Taxation					
Corporation tax paid			**(182,861)**		(228,817)
Capital expenditure and financial investment					
Payments to acquire tangible assets		**(130,959)**		(141,057)	
Receipts on disposal of tangible assets		**57,281**		9,000	
Payments to acquire investments		**—**		(573,188)	
Receipts on disposal of investments		**481,565**		248,918	
			407,887		(456,327)
Acquisitions and disposals					
Payments to acquire goodwill of business		**(50,000)**		—	
Payments to acquire subsidiary undertaking		**—**		(147,377)	
Cash acquired in subsidiary undertakings		**—**		15,779	
Deferred consideration		**(952,436)**		(1,271,171)	
			(1,002,436)		(1,402,769)
Net cash inflow/(outflow) before financing			**2,561,727**		(871,616)
Financing					
Issue of share capital		**—**		5,128,968	
Capital element of finance lease contracts		**(33,482)**		(69,780)	
Bank loan repaid		**(748,318)**		(3,080,795)	
Purchase of own shares		**(14,955)**		—	
			(796,755)		1,978,393
Increase in cash for the year			**1,764,972**		1,106,777
Reconciliation of net cash flow to movement in net funds/ (debt)					
Increase in cash for the year			**1,764,972**		1,106,777
Movement in bank loans			**908,318**		3,080,795
Decrease in finance leases			**33,482**		69,780
Movement in net funds/ (debt)			**2,706,772**		4,257,352
Net debt at 1 April 2006	(ii)		**(1,463,981)**		(5,721,333)
Net funds/ (debt) at 31 March 2007	(ii)		**1,242,791**		(1,463,981)

The notes on pages 18 to 36 form part of these financial statements.

notes to the group cash flow statement

For the year ended 31 March 2007

(i) reconciliation of operating profit/ (loss) to net cash inflow from operating activities

	2007	2006
	£	£
Operating profit/ (loss)	**3,849,031**	(249,605)
Depreciation	**150,237**	156,856
Loss on disposal of tangible fixed assets	**12,411**	2,970
Profit on disposal of investments	**(316,946)**	—
Impairment in the value of investments	**—**	752,178
Amortisation of goodwill	**408,474**	600,000
Share based payments	**193,963**	—
Increase in debtors	**(930,503)**	(652,056)
(Decrease)/ increase in creditors	**(40,299)**	838,959
Decrease in stocks	**92,368**	228,007
Net cash inflow from operating activities	**3,418,736**	1,677,309

(ii) analysis of net (debt)/ funds

	At 1 April 2006	Cash flow	**At 31 March 2007**
	£	£	**£**
Cash in bank and in hand	1,666,429	1,764,972	**3,431,401**
Debt due within one year	(825,011)	275,011	**(550,000)**
Debt due after one year	(2,266,077)	633,307	**(1,632,770)**
Finance lease	(39,322)	33,482	**(5,840)**
	(1,463,981)	2,706,772	**1,242,791**

(iii) non cash transactions

In December 2006 the company issued 400,000 ordinary shares of 20p each in full and final settlement of an outstanding loan of £160,000.

The notes on pages 18 to 36 form part of these financial statements.

notes to the financial statements

For the year ended 31 March 2007

1. accounting policies

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain investments and in accordance with applicable Accounting Standards in the United Kingdom.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's financial statements.

(a) consolidation

The consolidated financial statements include those of the Company and its subsidiaries from their date of acquisition. All acquisitions of subsidiaries have been accounted for under the acquisition method of accounting.

Under Section 230 of the Companies Act 1985, the Company is exempt from the requirement to present its own profit and loss account.

(b) turnover

Turnover represents amounts receivable for goods and services net of VAT and discount and intra-Group transactions.

(c) depreciation

Depreciation is provided to write-off the cost less estimated residual value (based on prices prevailing at the date of acquisition) in annual instalments over the estimated useful economic lives of the assets. The depreciation rates used are as follows:

Freehold buildings	2% straight line
Leasehold property	Straight line over the life of the lease
Fixtures, fittings and equipment	15%/25%/33.3% straight line and 25% reducing balance
Motor vehicles	25% straight line and 25% reducing balance

(d) investments

Investments held as fixed assets are stated at market value based on the directors' valuation at the balance sheet date. Where the directors consider that the market for an investment is not liquid, or that price fluctuations within the market deem the current market value inappropriate, the investment is listed at the mid market price with an appropriate adjustment to reflect these perceptions.

The aggregate surplus arising on the revaluation of an investment where there is a facility for the disposal of shares is transferred to the revaluation reserve. Any deficit arising on revaluation which is deemed to represent an impairment in value is charged to the profit and loss account unless it related to an investment whose value had been increased in a previous period in which case the deficit is netted off against that investment's revaluation reserve before any excess is charged to the profit and loss account.

Any realised gain or loss resulting from the disposal of an investment is recognised in the profit and loss account after charging the amount of any revaluation previously shown in the revaluation reserve.

Investments in subsidiary companies are valued at cost less provision for diminution in value.

(e) goodwill

Goodwill represents the difference between the fair value of the consideration paid on the acquisition of a business and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions is capitalised and subjected to annual impairment reviews under FRS11: Impairment of fixed assets and goodwill. Any excess of goodwill over the value in use of the underlying assets is written off to the profit and loss account. This accounting policy departs from the specific requirements of companies legislation to amortise goodwill over a finite period for the overriding purpose of giving a true and fair view. Goodwill has not been amortised in the period, except for in the case of Moore & Buckle (Flexible Packaging) Limited where it was felt necessary to make an impairment charge, because there is evidence that the goodwill has an indefinite useful life as the estimated increase in projected returns on the investment is in excess of the expected annual discount rate.

(f) financial instruments

Financial instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

(g) leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(h) foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

(i) deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are recoverable in the foreseeable future. No provision is made for deferred tax on the unrealised appreciation of investments.

The deferred tax balance has not been discounted.

(j) liquid resources

Liquid resources are defined as short term bank deposits and cash in hand.

(k) research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

(l) stock and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

(m) pensions

The pension costs charged represent the contribution payable by the Group in the year.

(n) share based payments

The group has applied the requirements of FRS 20 (IFRS 2) Share based payments.

The group issues equity-settled share based payments to certain directors. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and with a corresponding adjustment to equity.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

2. segmental analysis

business analysis

	2007			2006		
	Turnover £	**Operating profit/(loss) £**	**Net operating assets £**	Turnover £	Operating profit/(loss) £	Net operating assets £
Property search services	**10,057,226**	**2,995,013**	**271,003**	7,751,389	2,137,771	870,094
Financial services	**489,900**	**315,154**	**12,371**	583,560	224,555	23,149
Specialist electronics	**2,711,790**	**479,292**	**973,182**	3,386,843	271,821	243,802
Packaging solutions	**1,309,339**	**406,633**	**142,674**	1,185,754	411,839	309,249
Head office	**—**	**(827,528)**	**12,753,482**	—	(1,023,276)	12,275,820
	14,568,255	**3,368,564**	**14,152,712**	12,907,546	2,022,710	13,722,114
Exceptional items	**—**	**480,467**	**—**	—	(2,272,315)	—
	14,568,255	**3,849,031**	**14,152,712**	12,907,546	(249,605)	13,722,114
Interest bearing assets			**3,431,401**			1,666,429
Interest bearing liabilities			**(2,188,610)**			(3,130,410)
Net assets			**15,395,503**			12,258,133

turnover by geographical destination

In the opinion of the directors, it would be seriously prejudicial to the interests of the Group to disclose turnover by geographical segment for the specialist electronics business. All other business is carried out in the UK.

3. cost of sales and administrative expenses

	2007			2006		
	Total £	**Continuing activities £**	**Acquisitions £**	Total £	Continuing activities £	Acquisitions £
Cost of sales	**6,703,693**	**6,628,473**	**75,220**	6,168,783	6,063,494	105,289
Administrative expenses:						
Non exceptional	**4,495,998**	**4,493,036**	**2,962**	4,716,053	4,481,956	234,097
Exceptional	**480,467**	**480,467**	**—**	2,272,315	2,272,315	—

notes to the financial statements

For the year ended 31 March 2007

4. exceptional administrative credits/ (expenses)

	2007	2006
	£	£
Additional amount received from Moore & Buckle Directors' Pension Scheme	**571,995**	—
Goodwill written off – Moore & Buckle (Flexible Packaging) Limited	**(408,474)**	(600,000)
Profit on disposal of investments/ (write down)	**316,946**	(752,178)
Amounts payable to former directors including legal fees	**—**	(597,771)
Bank arrangement fees written off	**—**	(291,366)
Redundancy costs	**—**	(31,000)
	480,467	(2,272,315)

The profit on disposal of investments/ (write down) is made up as follows:

	2007	2006
	£	£
Tomco Energy plc	**268,132**	109,115
Energy Technique plc	**48,464**	(573,982)
Avatar Systems Inc.	**—**	(213,316)
Croma Group plc	**—**	(269)
Harrell Hospitality Group Inc.	**—**	(100,000)
Merchant House Group plc	**—**	25,983
Other	**350**	291
	316,946	(752,178)

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 profit and loss account.

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

notes to the financial statements

For the year ended 31 March 2007

5. operating profit/ (loss)

	2007	2006
	£	£
Operating profit/ (loss) is stated after charging/ (crediting):		
Auditors' remuneration:		
— audit	**66,251**	75,910
— other services	**4,682**	18,938
Depreciation	**150,237**	156,856
(Profit)/ loss on disposal of fixed assets	**(12,411)**	2,970
Loss/ (profit) on exchange differences	**1,031**	(8,965)
Operating lease rentals:		
— Plant and machinery	**4,940**	2,666
— Other assets	**175,666**	167,310
Hire of plant and machinery	**12,095**	2,880
Exceptional administrative (credits)/ expenses — Note 4	**(480,467)**	2,272,315
Research and development	**39,481**	14,685
Share based payments	**193,963**	—

Remuneration of the Group's auditors for provision of non audit services includes taxation advice. Non audit fees payable to Milsted Langdon amounted to £4,682 (2006: £10,010). Remuneration for audit services amounted to £21,000 (2006: £29,060).

The auditors' remuneration for audit services includes £11,651 (2006: £9,500) attributable to the audit of Audiotel International Limited; £7,500 (2006: £15,750) attributable to Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Ltd; £21,500 (2006: £21,600) attributable to PSG Franchising Limited, Yorkshire Legals Limited and PSG Marketing Limited and £4,600 (2006: £NIL) attributed to the audit of Ufford Insurance PCC Limited, subsidiaries of PSG Solutions plc which are not audited by the Group's principal auditors.

6. staff costs

	2007	2006
	£	£
Staff costs are made up as follows:		
Wages and salaries	**2,719,365**	2,888,337
Social security costs	**312,806**	303,879
Costs of directors share option scheme	**193,963**	—
Pension contributions	**53,150**	65,238
	3,279,284	3,257,454

The average number of persons employed by the Group including directors was:

	2007	2006
	Number	Number
Administration	**24**	24
Production	**51**	38
Research and development	**8**	8
Sales and marketing	**12**	16
	95	86

At 31 March 2007 the number of persons employed by the Group was 95.

7. pension costs

The Group operates a defined contribution pension scheme in respect of its directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Company and amounted to £53,150 (2006: £65,328).

8. directors' remuneration

	Salaries £	Payment made to third parties £	Benefits £	2007 Total £	2006 Total £
Executive directors					
J P Mervis	110,000	–	–	**110,000**	46,256
J A Warwick	45,833	–	–	**45,833**	11,668
T M Brown	105,000	–	26,328	**131,328**	23,618
Non-executive directors					
J M Burley	21,000	96,000	–	**117,000**	115,801
J D G Holme	15,000	–	–	**15,000**	3,750
J A Hester	15,000	–	–	**15,000**	15,000
Former directors					
S A Komlósy	–	–	–	–	303,210
J J May	–	–	–	–	289,001
P L G Cotgrove	–	–	–	–	40,264
B E Adams	–	–	–	–	21,668
	311,833	96,000	26,328	**434,161**	870,236

In the year to 31 March 2007 costs of the share option scheme amounted to £193,963 all of which was applicable to the Directors.

The salaries of T M Brown and J A Hester and the third party payment to J M Burley are payable by PSG Franchising Limited.

9. interest payable

	2007 £	2006 £
Interest payable on bank loans and overdrafts	**155,991**	453,749
Hire purchase interest	**3,502**	8,567
Interest on late payment of corporation tax	**807**	9,094
	160,300	471,410

10. interest receivable

	2007 £	2006 £
Bank interest	**80,701**	10,398

11. taxation

	2007 £	2006 £
UK corporation tax at 30% (2006: 30%)	**1,116,834**	76,625
Overprovision in prior year	**(75,279)**	(89,422)
Current tax charge/ (credit)	**1,041,555**	(12,797)
Deferred tax credit re share based payments	**(58,188)**	—
	983,367	(12,797)

The tax for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £	2006 £
Profit/ (loss) on ordinary activities before taxation	**3,769,432**	(710,617)
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006: 30%)	**1,130,828**	(213,186)
Effects of:		
Expenses not deductible for tax purposes	**143,375**	433,557
Depreciation in excess of capital allowances	**35,711**	9,614
Tax losses utilised in current year	**(30,414)**	(109,406)
Tax losses in current year	**—**	47,592
Movement in short term timing differences	**70,646**	20,473
Marginal rate relief and lower tax rate in other jurisdictions	**(104,177)**	(26,591)
Overprovision in prior year	**(75,279)**	(89,422)
Other tax adjustments	**(129,135)**	(85,428)
	1,041,555	(12,797)

The Company has a carried forward loss for capital gains purposes amounting to £2,262,225 and excess management charges to carry forward of £472,620.

12. profit/ (loss) of parent company

	2007	2006
	£	£
Profit/(loss) on ordinary activities after taxation	**1,684,664**	(1,452,157)

13. profit/ (loss) per share

Basic earnings per share are calculated on the Group profit for the financial year of £2,786,065 (2006: loss of £697,820) and on 26,969,267 ordinary shares, being the weighted average number of shares in issue in the year (2006: 18,569,506). Share options do not have a significant dilutive effect.

14. intangible fixed assets

goodwill

Group	£
Cost	
At 1 April 2006	13,476,298
Additions	442,502
At 31 March 2007	**13,918,800**
Amortisation	
At 1 April 2006	604,848
Charge for year	408,474
At 31 March 2007	**1,013,322**
Net book value	
At 31 March 2007	**12,905,478**
At 31 March 2006	12,871,450

During the current year, the directors carried out impairment reviews using discount rates of 8% on estimated profits based on projected growth rates of 10% (zero per cent for Moore & Buckle (Flexible Packaging) Limited and Audiotel International Limited) for the next seven years and reviewed the remaining life of the Moore & Buckle (Flexible Packaging) Limited, Audiotel International Limited, PSG Franchising Limited, Yorkshire Legals Limited and Patersons Financial Services Limited businesses. The directors concluded that, based on the resilience and sustainability of these businesses, the remaining goodwill has an indefinite life save for Moore & Buckle (Flexible Packaging) Limited where it was felt necessary to make an impairment charge of £408,474.

Cumulative goodwill written off against reserves is £1,013,322 (2006: £604,848).

15. tangible fixed assets

Group	Freehold land and buildings £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2006	188,791	86,724	623,014	62,820	961,349
Additions	—	—	111,415	19,544	130,959
Disposals	—	—	(119,915)	(62,820)	(182,735)
At 31 March 2007	**188,791**	**86,724**	**614,514**	**19,544**	**909,573**
Depreciation					
At 1 April 2006	7,111	20,302	320,283	329	348,025
Disposals	—	—	(105,629)	(7,413)	(113,042)
Charge for year	4,038	7,835	126,394	11,970	150,237
At 31 March 2007	**11,149**	**28,137**	**341,048**	**4,886**	**385,220**
Net book value					
At 31 March 2007	**177,642**	**58,587**	**273,466**	**14,658**	**524,353**
At 31 March 2006	181,680	66,422	302,731	62,491	613,324

Company	Leasehold property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2006	—	76,297	76,297
Additions	59,052	—	59,052
Disposals	—	(32,069)	(32,069)
At 31 March 2007	**59,052**	**44,228**	**103,280**
Depreciation			
At 1 April 2006	—	43,258	43,258
Disposals	—	(32,069)	(32,069)
Charge for year	4,168	13,104	17,272
At 31 March 2007	**4,168**	**24,293**	**28,461**
Net book value			
At 31 March 2007	**54,884**	**19,935**	**74,819**
At 31 March 2006	—	33,039	33,039

15. tangible fixed assets (continued)

Included in the above are assets held under finance leases or hire purchase contracts as follows:

Group	**2007** Net book value £	**2007** Depreciation charge £	2006 Net book value £	2006 Depreciation charge £
Motor vehicles	—	—	25,985	21,387
Fixtures, fittings and equipment	**38,629**	**27,166**	65,795	40,027
	38,629	**27,166**	91,780	61,414
Company				
Motor vehicles	—	—	—	9,270
Fixtures, fittings and equipment	—	—	—	—
	—	—	—	9,270

16. fixed asset investments

Group	Unlisted investments £
Cost	
At 1 April 2006	2,909,257
Disposals	(944,131)
At 31 March 2007	**1,965,126**
Provision for reduction in value	
At 1 April 2006	2,534,257
Disposals	(779,512)
At 31 March 2007	**1,754,745**
Net book value	
At 31 March 2007	**210,381**
At 31 March 2006	375,000

16. fixed asset investments (continued)

Company	Subsidiaries £	Other fixed asset investments £	Total £
Cost			
At 1 April 2006	16,185,582	2,909,257	19,094,839
Additions	392,502	—	392,502
Disposals	(1,411,407)	(944,131)	(2,355,538)
At 31 March 2007	**15,166,677**	**1,965,126**	**17,131,803**
Provision for reduction in value			
At 1 April 2006	600,000	2,534,257	3,134,257
Provision for year	408,474	—	408,474
Disposals	—	(779,512)	(779,512)
At 31 March 2007	**1,008,474**	**1,754,745**	**2,763,219**
Net book value			
At 31 March 2007	**14,158,203**	**210,381**	**14,368,584**
At 31 March 2006	15,585,582	375,000	15,960,582

i) subsidiaries

	Shares	Total £
Albion Plaza Limited	2	2
L & B I Holding Limited	1	1
Rochdale Development Company Limited	357,500	2,329,874
PSG Franchising Limited	180	11,590,787
Patersons Financial Services Limited	40,002	137,539
Ufford Insurance PCC Limited	1,000	100,000
At 31 March 2007		**14,158,203**

ii) investments

other fixed assets

	Shares held	% holding	Weighted average cost per share £	Cost £	Valuation 31 March 2007 £
Unlisted investments — AIM					
Energy Technique plc [1]	58,413,989	7.01	0.014	842,013	**85,381**
Unlisted investments — other					
Avatar Systems Inc. [2]	1,690,502	19.13	0.664	1,123,113	**125,000**
Total unlisted investments				1,965,126	**210,381**

16. fixed asset investments (continued)

ii) investments (continued)

investment details

Investment market values are quoted at directors' valuation:

1. Energy Technique plc is listed on AIM. On 31 March 2007 the mid-price quoted was 0.6p but there is little marketability in the shares. The investment has therefore been valued at an amount the directors consider to be its realisable value.

2. Avatar Systems Inc. is listed on NASD OTC Bulletin Board, a matched bargain facility. On 31 March 2007 the average price quoted was $0.9 per share but there is little marketability in the shares and in spite of the fact that the company is trading profitably, the directors of PSG Solutions plc consider that the investment has limited value and the investment has therefore been valued at an amount the directors consider to be its realisable value.

The investment in Harrell Hospitality Group Inc. was excluded from investments by reason of the fact that it was of negligible value.

17. subsidiary undertakings

The Company holds 100% of the share capital and voting rights of the following companies:

Name of subsidiary held directly	Nominal value of issued ordinary capital £	Date acquired	Principal activity	Country of incorporation
Rochdale Development Company Limited	357,500	15 April 2004	Holding company	England
PSG Franchising Limited	180	25 June 2004	Property search	England
Patersons Financial Services Limited	40,002	1 January 2005	Insurance services	England
Albion Plaza Limited	2	21 February 2000	Property development	England
L & B I Holding Limited	1	31 January 2003	Holding company	England
PSG Marketing Limited	2	23 August 2005	Marketing	England
PSG Financial Services Limited	1	19 April 2005	General insurance	England
Ufford Insurance PCC Limited	1,000	11 May 2005	Insurance services	Guernsey

Held indirectly			
Audiotel International Limited	31 January 2003	Electronics	England
Audiotel (UK) Limited	31 January 2003	Dormant	England
Moore & Buckle (Flexible Packaging) Limited	15 April 2004	Flexible packaging	England
Yorkshire Legals Limited	1 February 2006	Property search	England

Moore & Buckle (Flexible Packaging) Limited is a wholly owned subsidiary of Rochdale Development Company Limited. Audiotel International Limited is a wholly owned subsidiary of L & B I Holding Limited. Audiotel (UK) Limited is a wholly owned subsidiary of Audiotel International Limited. Yorkshire Legals Limited is a wholly owned subsidiary of PSG Franchising Limited.

18. stocks

Group	2007 £	2006 £
Raw materials and consumables	**400,296**	422,193
Work in progress	**108,412**	188,180
Finished goods and goods for resale	**75,723**	66,426
	584,431	676,799

19. debtors

Group	2007 £	2006 £
Trade debtors	**2,538,474**	1,824,195
Prepayments and accrued income	**1,150,653**	758,011
Other debtors	**20,019**	196,437
Corporation tax recoverable	**—**	25,382
Deferred tax	**70,485**	—
	3,779,631	2,804,025

Included within prepayments is an amount totalling £90,000 (2006: £101,732) relating to monies held by the bankers under a deposit agreement in respect of foreign guarantees.

Deferred tax is a deferred tax credit in respect of share based payments.

Company	2007 £	2006 £
Prepayments and accrued income	**14,110**	97,453
Deferred tax	**70,485**	—
Amounts owed by group undertakings	**2,964,665**	1,937,663
	3,049,260	2,035,116

The above debtors fall due within one year.

Deferred tax is a deferred tax credit in respect of share based payments.

20. deferred tax

The Group holds a loss for capital gains purposes amounting to £2,262,225 at 31 March 2007 which may be used against the disposal of the revalued investments at 31 March 2007. No deferred tax asset is recognised in respect of these capital gains tax losses. A deferred tax credit of £70,485 is recognised in respect of share based payments of which £58,188 is shown as a credit to the profit and loss account and £12,297 is shown in equity.

21. creditors: amounts falling due within one year

Group (including convertible debt)	2007 £	2006 £
Bank loans and overdraft	**550,000**	825,011
Trade creditors	**878,178**	1,010,899
Other creditors	**341,826**	619,698
Other taxes and social security	**280,925**	290,843
Corporation tax	**927,191**	75,931
Net obligations under hire purchase contracts	**5,300**	34,702
Accruals and deferred income	**1,423,442**	1,291,113
	4,406,862	4,148,197

The terms of the bank loans are set out in Note 27.

Included within other creditors is an amount of £330,000 (2006: £559,934) relating to 'deferred' consideration following the acquisition of Rochdale Development Company Limited and PSG Franchising Limited.

Hire purchase liabilities are secured on the underlying assets.

Company (including convertible debt)	2007 £	2006 £
Bank loans and overdraft	**550,000**	810,000
Trade creditors	**4,644**	9,026
Amounts owed to group undertakings	**931,358**	1,555,947
Other creditors	**330,000**	559,934
Other taxes and social security	**35,659**	190,240
Accruals and deferred income	**144,414**	78,323
	1,996,075	3,203,470

22. creditors: amounts falling due after one year

Group	2007 £	2006 £
Bank loan	**1,632,770**	2,266,077
Other creditors	**—**	330,000
Net obligations under hire purchase contracts	**540**	4,620
	1,633,310	2,600,697

Company	2007 £	2006 £
Bank loan	**1,632,770**	2,118,428
Other creditors	**—**	330,000
	1,632,770	2,448,428

Other creditors related to the deferred consideration due to the previous owners of PSG Franchising Limited.

23. share capital

	2007		2006	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 20p each	**35,000,000**	**7,000,000**	35,000,000	7,000,000
Allotted and called up				
Fully paid ordinary shares of 20p each	**27,183,240**	**5,436,648**	26,783,240	5,356,648

In December 2006 the company issued 400,000 ordinary shares of 20p each in full and final settlement of an outstanding loan of £160,000.

25,000 ordinary shares of 20p each with an aggregate nominal value of £5,000 were purchased on 21 December 2006 and are held in treasury. Distributable reserves have been reduced by £14,955. The number of ordinary shares of 20p each that the company has in issue less the total number of treasury shares following the purchase is 27,158,240.

24. share options

share options

At 31 March 2007 share options were held by directors in respect of 1,950,000 shares analysed as follows:

Name	Number of shares	Option price per share	Exercisable
J P Mervis	1,200,000	50p	14/02/2008-14/02/2013
J A Warwick	350,000	50p	14/02/2008-14/02/2013
T M Brown	300,000	50p	14/02/2008-14/02/2013
J M Burley	100,000	57p	14/02/2008-07/08/2013

The number of options granted at the start of the year was 1,850,000. During the year 100,000 were granted resulting in 1,950,000 being outstanding at the end of the year.

The options are only exercisable if the option holder has continued to be employed by the Company at 14 February 2008. It is the Board's intention to keep the number of options outstanding at no more than 10% of the issued share capital.

share based payments

The options for directors were introduced in February 2006. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 5 years following the vesting period. There are no reload features. The company has made grants on 14 February 2006 of 1,850,000 options and on 7 August 2006 of 100,000 options. Exercise of an option is dependant on continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

	Year ended 31 March 2007	Year ended 31 March 2006
Grant date	**7 August 2006**	14 February 2006
Share price at grant date	**57p**	50p
Exercise price	**57p**	50p
Number of directors	**1**	3
Shares under option	**100,000**	1,850,000
Vesting period	**1.5 years**	2 years
Expected volatility	**60%**	60%
Option life (years)	**5**	5
Risk free rate	**4.74%**	4.44%
Fair value per option	**17.8p**	17.9p

24. share options (continued)

The expected volatility is based on historical volatility over the last year. The risk free rate of return is the yield on zero-coupon UK government bonds issued consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2007 is shown below.

	2007		2006	
	Number of shares	**Exercise price**	Number of shares	Exercise price
Outstanding at 1 April	**1,850,000**	**50p**	—	—
Granted	**100,000**	**57p**	1,850,000	50p
Outstanding at 31 March	**1,950,000**	**50.4p**	1,850,000	50p
Exercisable at 31 March	**—**	**—**	—	—

The weighted average fair value of options granted in the year was £17,800 (2006: £331,890).

The total charge for the year relating to employee share based payment plans was £193,963 (2006: £nil) all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £135,775 (2006: £nil).

25. reserves

Group	Profit and loss account £	Share premium account £
At 31 March 2006	(1,548,284)	8,449,769
Additions	—	80,000
Profit for the period	2,786,065	—
Share based payments	193,963	—
Deferred tax on share based payments	12,297	—
Purchase of ordinary share capital for treasury	(14,955)	—
At 31 March 2007	**1,429,086**	**8,529,769**

Company	Profit and loss account £	Share premium account £
At 31 March 2006	(1,205,048)	8,449,769
Additions	—	80,000
Profit for the period	1,684,664	—
Share based payments	193,963	—
Deferred tax on share based payments	12,297	—
Purchase of ordinary share capital for treasury	(14,955)	—
At 31 March 2007	**670,921**	**8,529,769**

26. reconciliation of movements in shareholders' funds

Group	2007 £	2006 £
Profit/ (loss) for the financial period	**2,786,065**	(697,820)
Issue of ordinary shares	**80,000**	2,123,642
Increase in share premium account	**80,000**	3,005,326
Share based payments (including deferred tax)	**206,260**	—
Purchase of ordinary share capital for treasury	**(14,955)**	—
Revaluation of investments	**—**	(2,965)
Increase in shareholders' funds	**3,137,370**	4,428,183
Opening shareholders' funds	**12,258,133**	7,829,950
Closing shareholders' funds	**15,395,503**	12,258,133

Company	2007 £	2006 £
Profit/ (Loss) for the financial period	**1,684,664**	(1,452,157)
Issue of ordinary shares	**80,000**	2,123,642
Increase in share premium account	**80,000**	3,005,326
Share based payments (including deferred tax)	**206,260**	—
Purchase of ordinary share capital for treasury	**(14,955)**	—
Revaluation of investments	**—**	(2,965)
Increase in shareholders' funds	**2,035,969**	3,673,846
Opening shareholders' funds	**12,601,369**	8,927,523
Closing shareholders' funds	**14,637,338**	12,601,369

27. financial instruments

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity, foreign exchange rates and interest rates. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions.

(b) foreign exchange risk

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. Under the Group's foreign exchange policy, such transactions are recorded at the rate of exchange prevailing at the transaction date.

(c) interest rate risk

The interest rate risk profile of financial liabilities is as follows:

At 31 March 2007 the Group had the following financial liabilities

	2007 £	2006 £
At fixed interest rates:		
Net obligations under finance leases and hire purchase contracts	**6,541**	43,305
Bank loan	**—**	160,000
	6,541	203,305

27. financial instruments (continued)

financial risk management (continued)

The weighted average rate of interest of the fixed rate financial liabilities is 7% (2006: 7%). The weighted average period for which interest rates are fixed is seven months (2006: seven months).

	2007 £	2006 £
At floating interest rates:		
Bank loans	**2,182,770**	2,934,688
	2,182,770	2,934,688

At 31 March 2007 an overdraft facility of £500,000 was available to the Company. The rate of interest on the overdraft is at 1.5% over the Lloyds TSB Bank plc base rate. At 31 March 2007 the amount outstanding in respect of this facility was £nil.

At 31 March 2007 a bank loan of £2,750,000 was repayable over 60 months commencing February 2006. The rate of interest on the loan is base rate plus 1.25%. At 31 March 2007 the amount outstanding in respect of this facility was £2,182,770. The bank loan is secured by a fixed and floating charge over the assets of the Group.

At 31 March 2007 a revolving loan facility of £2,750,000 has been entered into expiring on 31 January 2011. The rate of interest on the facility is 1.5% over Lloyds TSB Bank plc cost of funds. At 31 March 2007 the amount outstanding in respect of this facility was £nil.

In connection with the above facilities the company has entered into an omnibus guarantee with Lloyds TSB bank plc which provides for each of the companies in the group to guarantee all monies and liabilities at any time due owing or incurred from or by each of the other companies in the group. The company has also entered into a debenture with Lloyds TSB Bank plc to secure repayment to the bank of all monies and liabilities at any time due, owing or incurred by the company to the bank.

At 31 March 2007 an interest swap transaction was entered into until 24 February 2011 in respect of an amount of £2,750,000 whereby interest will be payable at the rate of 0.26% above Lloyds TSB Bank plc base rate at 24 February 2006 of 4.5% and will be receivable by the Company at the rate of Lloyds TSB Bank plc base rate at any one time.

The weighted average period until maturity for floating rate financial liabilities is 56 months (2006: 68 months).

	2007 £	2006 £
On which no interest is payable:		
Deferred purchase consideration	**330,000**	889,934

The weighted average period until maturity for liabilities on which no interest is paid is 6 months (2006: 27 months).

All other Group creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables due to the exclusion of short term items or because they do not meet the definition of a financial liability.

	2007 £	2006 £
At floating interest rates:		
Cash at bank	**3,431,401**	1,666,429

The rate of interest payments for floating rate financial assets is based on LIBOR.

27. financial instruments (continued)

maturity of financial liabilities

	2007		2006	
	Group £	**Company £**	Group £	Company £
Bank and other loans (excluding Group debt):				
In one year or less	**550,000**	**550,000**	825,011	810,000
Between one and two years	**550,000**	**550,000**	565,011	550,000
From two to five years	**1,082,770**	**1,082,770**	1,613,460	1,568,428
Over five years	**—**	**—**	87,606	—
	2,182,770	**2,182,770**	3,091,088	2,928,428
Finance leases:				
In one year or less	**5,300**	**—**	34,702	—
Between one and two years	**540**	**—**	4,620	—
	5,840	**—**	39,322	—

fair values of financial assets

The fair value is an amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The fair value of cash deposits approximates to the carrying amount because of the short maturity of these instruments.

currency exposure

The Group make sales in foreign currency denominations.

The Group does not hedge against fluctuations in these currency rates.

At 31 March 2007 and 31 March 2006 the Group's exposure on such monetary assets that could give rise to net currency gains or losses was negligible.

interest risk exposure

Financial instruments are selected by the directors in order to minimise the Company's exposure to financial risk. Principal borrowings are taken at floating interest rates backed by swap transactions to protect the Company from any significant rate increases in the future.

28. financial commitments

operating leases:

	2007		2006	
	Land and buildings £	**Other £**	Land and buildings £	Other £
Within one year	**26,616**	**8,167**	2,666	9,100
In the second to fifth year	**116,000**	**44,949**	108,000	9,244
After five years	**61,000**	**—**	61,000	—
	203,616	**53,116**	171,666	18,344

29. transactions with directors

During the year to 31 March 2007 PSG Franchising Limited made purchases amounting to £234,005 (2006: £234,045) from John Burley Public Relations Consultants Limited, a company controlled by J M Burley, a director of the company, for the provision of public relations and consultancy services. The amount includes a sum of £96,000 (2006: £88,800) shown in Note 8 under directors' remuneration. The balance outstanding at the end of the year was £1,735 (2006: £nil).

notice of annual general meeting

For 2007

Notice is given to all shareholders that the Annual General Meeting of PSG Solutions plc ("the Company") for 2007 will be held at the offices of the Company, 133 Ebury Street, London SW1W 9QU on 8 August 2007 at 11.30 am for the transaction of the following business. Resolutions 1 to 7 inclusive will be proposed as ordinary resolutions and resolutions 8 and 9 will be proposed as special resolutions:

ordinary business

1. To receive the Company's annual accounts for the financial year ended 31 March 2007 together with the directors' report and the auditors' report on those accounts.

2. To re-appoint W J Rae as director of the Company, who retires under Article 84 at the Annual General Meeting.

3. To re-appoint B C Connor as director of the Company, who retires under Article 84 at the Annual General Meeting.

4. To re-appoint J A Hester as a director of the Company, who retires under Article 106 at the Annual General Meeting.

5. To re-appoint J A Warwick as director of the Company, who retires under Article 106 at the Annual General Meeting.

6. To re-appoint Milsted Langdon, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine the auditors' remuneration.

special business

7. That the directors be generally and unconditionally authorised, pursuant to Section 80 of the Companies Act 1985 ("the Act"), to allot relevant securities (as defined in that section) up to a maximum nominal amount equal to the nominal amount of the unissued share capital of the Company following the passing of this resolution provided that:

   7.1 this authority shall expire 15 months from the date of this resolution or at the Company's next Annual General Meeting, if earlier; and

   7.2 that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement notwithstanding that the authority conferred hereby has expired and that this authority shall be in substitution of all previous authorities conferred upon the directors pursuant to the said Section 80.

8. That, subject to the passing of resolution 7 above, the directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the general authority granted in resolution 7 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   8.1 the allotment of equity securities in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares and other persons entitled to participate therein in proportion to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;

   8.2 the allotment (otherwise than pursuant to 8.1 above) of equity securities up to an aggregate nominal amount of £1,087,329 (being approximately 20% of the current issued ordinary share capital of the Company);

and such power shall expire 15 months from the date of this resolution or at the Company's next Annual General Meeting, if earlier.

9. That, subject to the passing of the above resolutions 7 and 8 the Company be generally and unconditionally authorised, pursuant to Article 11.2 of the Articles of Association of the Company to make market purchases (as defined in Section 163 of the Companies Act 1985) of up to 1,359,162 ordinary shares of 20p (being approximately 5% of the current issued ordinary share capital of the Company) on such terms and in such manner as the directors of the Company may from time to time determine, provided that:

   9.1 the amount paid for each share (exclusive of expenses) shall not be more than 5% above the average of the middle market quotation for ordinary shares as derived from the Daily Official List of London Stock Exchange plc for the ten business days before the date on which the contract for the purchase is made, and in any event not less than 20p per share; and

   9.2 the authority herein contained shall expire in 15 months or at the conclusion of the next Annual General Meeting, if earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.

By order of the Board

John Warwick
Company Secretary
27 June 2007
133 Ebury Street
London
SW1W 9QU

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to attend and, on a poll, to vote, instead of him. A proxy need not be a member of the Company.

2. A form of proxy is provided. To be effective, the form of proxy must be received at the office of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the Annual General Meeting. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the meeting.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the date of the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not less than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

form of proxy

I/We ....
(PLEASE INSERT FULL NAMES IN BLOCK CAPITALS)

of ....

being (a) member(s) of PSG Solutions plc hereby appoint the Chairman of the Meeting, or,

failing him,..as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 8 August 2007 at 11.30 am and at any adjournment thereof, I/We direct my/our proxy to vote as follows:

	Resolutions	*For	*Against	*Withheld	*Discretionary
Resolution 1 (Ordinary)	To receive the financial statements, directors' report, and auditors' report				
Resolution 2 (Ordinary)	To re-appoint W J Rae as a director of the Company				
Resolution 3 (Ordinary)	To re-appoint B C Connor as a director of the Company				
Resolution 4 (Ordinary)	To re-appoint J A Hester as a director of the Company				
Resolution 5 (Ordinary)	To re-appoint J A Warwick as a director of the Company				
Resolution 6 (Ordinary)	To re-appoint Milsted Langdon as auditors of the Company				
Resolution 7 (Ordinary)	Authority to allot shares				
Resolution 8 (Special)	Disapplication of pre-emption rights				
Resolution 9 (Special)	Approve the share buy back				

* Please indicate with an X in spaces provided how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain as he thinks fit on the above-mentioned resolutions.

Dated this...Day of...2007

Signed ....

Notes:

1. To be valid, this proxy, duly completed and signed, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, should be deposited at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
2. If the member is a corporation, this form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority will be determined by the order in which the names stand in the register of members.
4. If you do not indicate how you wish your proxy to vote on any resolution, the proxy will vote as he thinks fits or, at his discretion, abstain from voting.
5. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the meeting.

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BUSINESS REPLY SERVICE
Licence No. MB 122

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Capita Registrars (Proxy Department)
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4BR

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third fold (tuck in)

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