

chairman's statement

for the six months ended 30 September 2013

Specialist Electronics

The fall in Group Profit before taxation from £8,587,000 to £219,000 reflects the completion of the £50 million MoD contract and the sea change in global markets for IED Detection equipment, which was responsible for a large proportion of the profits last year. Withdrawal of the great majority of ISAF forces from operational theatre in Afghanistan, as well as a change in strategic tactics, has curtailed the prospects for further orders for the foreseeable future.

Shareholders have, however, already benefitted through share buy backs totalling over £15 million as a result of the MoD contract.

The Annual Report highlighted our goal of developing new products based on proprietary applications of our technology for the global market place and a commensurate upgrade of the Specialist Electronics profile. There has been positive work in progress on all fronts.

Guard Products

The high profile and risk of danger and damage to government agencies, corporations and a range of their advisers to the consequences flowing from eavesdropping, bugging and covert videoing has become of increasing concern.

To reduce the risk of exposure to these threats and to raise the protective bar even further than previously achieved Audiotel has upgraded its Guard Products and is planning a major re-launch early in the new year. Operating in real time on a 24/7 basis Meeting Guard displays unequivocally on a screen, either as an alert or alarm, evidence of eavesdropping, bugging or the operation of covert video. The meeting participants are, therefore, made aware immediately of possible breaches of security.

The Enhanced Superbroom

The Enhanced Superbroom is the latest lightweight Non-Linear Junction Detector (NLJD). Its variable power enables it, in the first instance, to identify the general area of the threat and then to follow up by identifying the threat with pin point accuracy. Since its launch five months ago in July 2013 Enhanced Superbrooms have been sold to customers in Italy, Portugal, Finland, Saudi Arabia, South Africa, Singapore and Taiwan as well as to The Foreign and Commonwealth Office.

The result of a £1 million MoD tender for this product is expected before the calendar year end.

The Archway

The Archway detects a wide range of information storing devices, including SIM cards, USB memory sticks, hidden cameras and listening and recording devices. It also detects mobile phones. There is interest from an important Chinese customer and from a major global manufacturer of electronic consumer products.

PSG

The outlook for PSG has improved substantially. The operating profit for the period was £368,000 (2012: £62,000).

PSG is benefitting from, and will continue to benefit from, a variety of factors including:-

- Rising house sale transactions.
- All franchisees having signed up to a new agreement for five years with an option to renew.
- Continued investment in IT, creating a national user friendly platform to process and deliver an expanding range of products resulting in increases in income with only minimal increases in costs.
- Investment in marketing of new products and regular CPD seminars for solicitors.
- Development of ways of using the unique national network to deliver services, other than property related services, to solicitor customers.

PSG Energy continues to have high quality expertise and provides excellent service in this sector.

M&B

M&B's operating profit of £123,000 (2012: £146,000) was marginally down from the first half of the previous financial year.

Outlook

Specialist Electronics is progressing with its plans for gaining wide commercial acceptance for its latest products. These counter the theft of information through the eavesdropping of confidential discussions and inhibit the smuggling of memory devices loaded with classified information.

PSG, for the first time since 2007, stands to benefit from an upward trend in residential housing sales leading to an increased income with only a minimal increase in costs.

Jonathan Mervis
Chairman
4 December 2013

consolidated income statement

for the six months ended 30 September 2013

	Six months ended 30 September 2013 Unaudited £000	Six months ended 30 September 2012 Unaudited £000	Year ended 31 March 2013 Audited £000
Revenue	4,799	25,781	29,364
Cost of sales	(2,295)	(10,342)	(14,046)
Gross profit	2,504	15,439	15,318
Administrative expenses	(2,294)	(6,900)	(8,715)
Operating profit before exceptional items	210	8,539	6,603
Exceptional administrative expenses	-	-	(1,704)
Operating profit	210	8,539	4,899
Finance costs	-	-	(11)
Finance income	9	48	90
Profit on ordinary activities before taxation	219	8,587	4,978
Income tax credit/(expense)	25	(2,010)	(1,295)
Profit on ordinary activities after taxation	244	6,577	3,683
Basic earnings per share	1.26p	27.06p	15.89p
Diluted earnings per share	1.25p	26.56p	15.74p

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

consolidated statement of comprehensive income

for the six months ended 30 September 2013

The profit on ordinary activities after taxation represents the Group's total comprehensive income for the period.

consolidated statement of changes in equity

for the six months ended 30 September 2013

	Share Capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total
	£000	£000	£000	£000	£000
At 1 April 2012	5,148	438	626	12,955	19,167
Purchase of ordinary share capital for treasury (including costs of £47,000)	-	-	-	(4,184)	(4,184)
Cancellation of own shares	(368)	-	368	-	-
Total comprehensive income for the period	-	-	-	6,577	6,577
At 30 September 2012	4,780	438	994	15,348	21,560
Issue of new ordinary shares on exercise of options	76	114	-	-	190
Purchase of ordinary share capital for treasury (including costs of £80,000)	-	-	-	(11,008)	(11,008)
Cancellation of own shares	(971)	-	971	-	-
Total comprehensive income for the period	-	-	-	(2,894)	(2,894)
At 31 March 2013	3,885	552	1,965	1,446	7,848
Total comprehensive income for the period	-	-	-	244	244
At 30 September 2013	3,885	552	1,965	1,690	8,092

consolidated statement of financial position

for the six months ended 30 September 2013

	30 September 2013 Unaudited £000	30 September 2012 Unaudited £000	31 March 2013 Audited £000
Non-current assets			
Goodwill	3,273	4,977	3,273
Other intangible assets	597	668	628
Property, plant and equipment	365	743	411
Deferred tax asset	282	125	312
	4,517	6,513	4,624
Current assets			
Inventories	1,262	1,655	1,189
Trade and other receivables	2,502	4,413	2,721
Current tax asset	289	-	-
Cash and cash equivalents	2,849	17,822	5,398
	6,902	23,890	9,308
Current liabilities			
Trade and other payables	(3,272)	(6,681)	(5,666)
Current tax liability	(55)	(2,162)	(418)
	(3,327)	(8,843)	(6,084)
Net current assets	3,575	15,047	3,224
Net assets	8,092	21,560	7,848

Represented by:

Capital and reserves attributable to equity holders

Called up share capital	3,885	4,780	3,885
Share premium account	552	438	552
Capital redemption reserve	1,965	994	1,965
Retained earnings	1,690	15,348	1,446
Total equity	8,092	21,560	7,848

consolidated statement of cash flows

for the six months ended 30 September 2013

	Six months ended 30 September 2013 Unaudited £000	Six months ended 30 September 2012 Unaudited £000	Year ended 31 March 2013 Audited £000
Cash flows from operating activities			
Profit before taxation	219	8,587	4,978
Adjustments for:			
Depreciation of property, plant and equipment	57	1,037	1,418
Amortisation of goodwill	-	-	1,704
Amortisation of other intangible assets	256	278	533
Profit on disposal of tangible assets	(16)	(2)	(7)
Interest expense	-	-	11
Interest receivable	(9)	(49)	(90)
Decrease in receivables	219	2,810	4,501
(Increase)/decrease in inventories	(73)	(342)	124
Decrease in payables	(2,394)	(4,490)	(5,505)
Cash (used in)/generated from operations	(1,741)	7,829	7,667
Interest paid	-	-	(11)
Income tax paid	(597)	(2,685)	(3,902)
Net cash (used in)/generated from operating activities	(2,338)	5,144	3,754
Cash flows from investing activities			
Purchase of tangible assets	(19)	(203)	(288)
Purchase of other intangible assets	(225)	(258)	(472)
Proceeds from sale of tangible assets	24	6	47
Interest received	9	49	90
Net cash used in investing activities	(211)	(406)	(623)
Cash flows from financing activities			
Issue of share capital	-	-	190
Purchase of own shares	-	(4,184)	(15,191)
Net cash used in financing activities	-	(4,184)	(15,001)
Net (decrease)/increase in cash and cash equivalents	(2,549)	554	(11,870)
Cash and cash equivalents at beginning of period	5,398	17,268	17,268
Cash and cash equivalents at end of period	2,849	17,822	5,398

notes to the interim financial statements

for the six months ended 30 September 2013

1. general information

The interim financial statements for the six months ended 30 September 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 3 December 2013.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 133 Ebury Street, London SW1W 9QU.

The Company's ordinary shares are admitted to trading on the AIM market of the London Stock Exchange.

The financial information for the six months ended 30 September 2013 set out in this interim report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 March 2013 are extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. basis of preparation

The interim financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The information within these interim financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

3. accounting policies

The principal accounting policies used in preparing the interim financial statements and those the group expects to apply in its financial statements for the year ending 31 March 2014 are unchanged from those disclosed in the statutory financial statements for the year ended 31 March 2013.

4. segmental analysis

	Six months ended 30 September 2013 Unaudited £000	Six months ended 30 September 2012 Unaudited £000	Year ended 31 March 2013 Audited £000
Revenue - operating segment			
Specialist electronics	1,440	22,801	23,566
Property information services	2,606	2,190	4,234
Packaging solutions	753	790	1,564
	4,799	25,781	29,364
Revenue - geographical area			
United Kingdom	4,608	25,579	28,833
Asia and Middle East	156	53	227
Europe	20	115	242
Other	15	34	62
	4,799	25,781	29,364

4. segmental analysis (continued)

	Six months ended 30 September 2013 Unaudited £000	Six months ended 30 September 2012 Unaudited £000	Year ended 31 March 2013 Audited £000
Operating profit/(loss)			
Specialist electronics	7	8,609	6,765
Property information services	368	62	152
Packaging solutions	123	146	302
Head office	(288)	(278)	(616)
Exceptional items	-	-	(1,704)
	210	8,539	4,899
Net operating assets			
Specialist electronics	83	(2,773)	(1,512)
Property information services	3,316	4,420	2,935
Packaging solutions	1,934	2,236	1,964
Head office	(89)	(145)	(937)
	5,244	3,738	2,450
Interest bearing assets	2,849	17,822	5,398
	8,093	21,560	7,848

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 2013 was 19,426,324.

	Six months ended 30 September 2013	Six months ended 30 September 2012	Year ended 31 March 2013
Profit after tax	£244,000	£6,577,000	£3,683,000
Weighted average number of shares in issue	19,426,324	24,303,836	23,173,628
Basic earnings per share	1.26p	27.06p	15.89p
Weighted average number of shares in issue adjusted to take account of shares under option	19,552,285	24,767,869	23,401,480
Diluted earnings per share	1.25p	26.56p	15.74p