John Hawkins
Chairman

CHAIRMAN'S STATEMENT

Introduction

Much of the work commenced in 2009 and 2010 to improve processes and operational efficiency across the organisation has finally come to fruition. We have successfully and fundamentally changed our business in order to build a stronger, more profitable company.

In 2008, we set ourselves a medium-term objective to become easier to do business with, enhance partner loyalty and deliver better financial results. The feedback received is that we have largely achieved that goal. During 2010, we held partner conferences in Rome, Dallas, Singapore and Shanghai and took the opportunity to ask partners about our performance. The overwhelming response was positive. Our increased openness and commitment to building strong and lasting relationships is making a real difference to our business with channel partners.

Financial results

Revenues in 2010 were £174.5 million (2009 – £170.0 million). Sales in Europe, Middle East and Africa were €120.6 million (2009 – €117.1 million). Sales in the Americas were US$87.1 million (2009 – US$83.3 million), while sales in Asia were US$22.4 million (2009 – US$18.6 million).

Normalised operating loss for the year was £1.9 million (2009 – profit £4.0 million). Profit before tax was £5.7 million (2009 – loss £3.0 million).

This Group has maintained a strong Balance Sheet. The Group's cash balance at the end of the year was £36.9 million (2009 – £45.3 million). We remain confident in our ability to generate significant operating cash in future.

The Group has limited debt, with finance leases of £2.0 million (2009 – £1.2 million). Total equity at the year end was £178.5 million (2009 – £177.6 million). The Board has declared a final dividend of 2.7p (2009 – 2.6p) making a total of 4.0p for the year (2009 – 3.8p).

The company's reported financial performance was impacted by exchange rate movements. Most of the Group's trading occurs in Euro and the US Dollar. To help shareholders to compare our performance, year-on-year, we present our results on a constant currency basis in the Operational Review.

CHANGE

A YEAR OF SIGNIFICANT STRATEGIC AND OPERATIONAL PROGRESS...

2010 has been a year of significant strategic and operational progress for Psion, but with no evident improvement in financial performance, as we have invested heavily in new product development. In 2011 we expect to deliver an improving operating margin and demonstrate further growth in our revenues.

Board

In May 2010, we announced the appointment of Toby Redshaw as a non-executive director. Toby is currently Executive VP and Chief Information Officer at American Express, having held the position of CIO at insurance group Aviva.

In November 2010, Psion announced that Fraser Park, the current Chief Financial Officer, intended to take a career sabbatical to deal with the illness of a close family member. On behalf of the Board I would like to thank Fraser for his significant contribution since becoming Chief Financial Officer of Psion Plc in 2009. We are very grateful to Fraser for his support and we wish him well for the future.

Fraser will be replaced by Adrian Colman who is currently Chief Financial Officer of London City Airport.

I would like to add my thanks and best wishes to everyone in the Group who has contributed to our progress in 2010. I am confident that the real benefits of their hard work will be seen in 2011.

Objectives

In 2009, we decided to take steps to improve our competitive position by differentiating ourselves more obviously in the marketplace. Through our Open Source Mobility (OSM) strategy, we aimed to combine a modular platform with an open and collaborative approach, to achieve innovative and customisable solutions for our customers.

We believe that we are now well on our way to achieving our goals and this will differentiate us from the competition. Launched in September 2010, our modular Omnii™ platform has been enthusiastically received by partners and customers alike. As well as ensuring that Psion solutions offer more flexibility and lower cost of ownership for customers, our modular development model also significantly reduces the time it takes to bring new products to market. Two derivative products have already been announced in the last nine months and more are scheduled for release in 2011 and 2012. We will increasingly be able to compete with a substantially refreshed portfolio of products which have a longer life, a lower total cost of ownership and better meet customer needs.

Also launched last year, the innovative IngenuityWorking.com community is playing a key role in turning the OSM vision into reality. Here, partners, customers and Psion employees can come together to share ideas and create ingenious solutions to meet specific customer needs.

Another key objective last year was to increase our addressable markets without significant investment in overhead costs, through increased channel sales activity. A drive to recruit new partners in key strategic markets has proved a success and we are now well placed to increase indirect sales in 2011.

Outlook

In 2011, we aim to grow market share in established markets such as Western Europe and the United States, as well as expanding into new geographies that hold substantial growth potential for Psion. These include exciting opportunities in India, Latin America and China. Here, our OSM initiatives will enable us to unlock a vast number of new addressable markets. At the same time, the modularity of the Omnii platform will allow us to assemble products in-country, without being penalised by local tax regimes.

While looking to grow revenue in 2011, we are also keenly aware of the need to control costs, given the potential for foreign exchange movements to materially impact our financial performance. In 2011 and beyond, we aim to increase revenue growth faster than costs, resulting in improved operating margins.

Over the last few years, Psion has taken many specific actions to become more efficient in the way we conduct our business and more relevant in the products and services we offer to partners and customers – and the way that we communicate them. I believe that by reaching out to new and established markets with a clear and differentiated offering, communicated in a vibrant and open way, we can now be confident of growing market share and changing the competitive landscape in 2011.

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Chairman