

PHSC plc

REPORT OF THE DIRECTORS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2005

PHSC PLC

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PHSC PLC

COMPANY INFORMATION for the year ended 31st March 2005

DIRECTORS:	S A King N C Coote G N Webb MBE
SECRETARY:	S A King
REGISTERED OFFICE:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
AUDITORS:	CLB Aldwych House 81 Aldwych London WC2B 4HP
ACCOUNTANTS:	Burns Waring & Partners 13 Middle Row Bank Street Maidstone Kent
SOLICITORS:	Gullands 16 Mill Street Maidstone Kent
REGISTRARS:	Capita IRG plc The Registry 34 Beckenham Road Beckenham Kent

PHSC PLC

CHAIRMAN'S STATEMENT for the year ended 31st March 2005

At the conclusion of what has been an eventful year for PHSC plc I am pleased to announce the audited results for the year ended 31 March 2005. The Group acquired RSA Environmental Health Limited (RSA) on 1 April 2004, and thus with Personnel Health & Safety Consultants Limited (PHSCL), the Group has two trading subsidiaries. In addition, the contracts of Lindum Safety Consultants were acquired in December 2004 and apportioned between the trading subsidiaries.

The proposed acquisition of Adamson's Laboratory Services Limited has taken longer to finalise than was envisaged, but I am pleased to report that a satisfactory conclusion is now expected within a matter of weeks. This will bring the number of acquisitions to three (RSA, Lindum and ALS) within a period of a little over a year, and is a demonstration of the Board's commitment to drive forward with a well-reasoned and properly costed acquisition strategy. We are presently in discussion with a number of other potential targets, and will selectively assess opportunities as they are presented.

The Board acknowledges the continued loyalty and hard work of employees, and in particular the enthusiasm with which RSA staff and management have responded to the challenge of working under new ownership. Both of our operating companies are fully committed to investing in staff and their workplaces.

In November 2004, the Board appointed Ruegg & Co as its Corporate Advisor. The Board announced earlier in the year that it intended to withdraw the Company's shares from trading on OFEX and make application for Admission to AIM. Ruegg and Co are our Nominated Advisors and brokers for this exercise. Work to this end is ongoing and we expect that the application to AIM will be made before the end of June 2005. Our legal advisors appointed to assist with the proposed move to AIM are Norton Rose, and our auditors, CLB are appointed as reporting accountants.

The Board acknowledges the support and assistance given by its various advisers over the year.

Financial Review

Turnover has risen from £1.249m to £2.217m, up approximately 77 per cent. The acceleration is largely explained by the contribution from RSA, outlined below. Group profit before tax is £476,112. Earnings per share have risen by over 29 per cent, from 3.13p per share to 4.06p per share.

The profit before tax, prior to amortisation of goodwill (£58,750) was £534,862. It is also the case that the Company has had to absorb a further amount of costs that the Directors deems to be non-recurring in relation to its acquisitions and the proposed AIM listing.

As at 31 March 2005, PHSC had significantly increased net current assets of £855,733 (2004: £602,534) and cash of £808,082 (2004: £ 453,927). The increase in cash includes a net income of £291,300 arising from the issue of new shares of 10p each at a price of 44p each. The Board is particularly pleased with this closing cash balance given the acquisitions made during the year that involved a certain amount of cash payment upfront.

Contributions by Subsidiary

Personnel Health & Safety Consultants Limited

Turnover up 9 per cent to £1,362,489 (2004: £1,249,302)

RSA Environmental Health Limited

Turnover £ 854,961 (£657,478 in the year prior to acquisition)

Dividend

In view of the ongoing acquisition strategy, the Board is not proposing a dividend for the year.

Prospects

We continue to remain optimistic about the level of demand for the Group's services, and the opportunity for cross-selling to our subsidiaries' client base. The Board is confident that underlying profitability levels will continue to rise, and earnings per share will progressively increase. The outlook for the sector, and for PHSC plc in particular, remains positive.

Stephen King

26th May 2005

PHSC PLC

REPORT OF THE DIRECTORS for the year ended 31st March 2005

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2005.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of providing, through its subsidiary companies, consultancy services and training in respect of health and safety, together with the sale of associated health and safety and other products.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements. The chairman's statement and review of the business is provided as a separate report.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2005.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
G N Webb MBE

The beneficial interests of the directors holding office on 31st March 2005 in the issued share capital of the company were as follows:

	31.3.05	1.4.04
Ordinary 10p shares		
S A King	3,682,549	3,767,293
N C Coote	3,545,395	3,632,240
G N Webb MBE	19,500	19,500

In addition to the directors' shareholdings shown above, SA King, NC Coote and Hazell Carr Pension Services Ltd jointly hold 20,000 ordinary shares in trust for a self administered pension scheme (the PHSC Limited Death and Retirement Benefit scheme) for SA King and NC Coote. The two directors are currently the only beneficiaries of the scheme.

GROUP'S POLICY ON PAYMENT OF CREDITORS

The company seeks to maintain good relations with all of its trading partners. In particular, it is the company's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 March 2005 the number of creditors days in respect of trade creditors was 6 (2004: 5).

POLITICAL AND CHARITABLE CONTRIBUTIONS

No charitable donations (2004 - nil) were made by the company during the year.

CORPORATE GOVERNANCE

The Company shares are traded on OFEX and the Company is not therefore required to report on compliance with the Combined Code appended to the listing rules. However, the Board of Directors supports the principles of good governance and the further guidance included in the Turnbull report. It is the Board's policy to comply as far as is reasonable for a business the size of PHSC plc.

SUBSTANTIAL SHAREHOLDINGS

As at 31st March 2005, apart from the directors shareholdings disclosed above, the directors were not aware of any individual shareholdings or interests in excess of 3% of the company's issued share capital.

INTERNAL CONTROLS

The Directors acknowledge their responsibilities for the Company's systems of internal control. The Board considers all major business and financial risks. All strategic decisions are decided by the Board and the making of individual investment and loan decisions is designated to members of the Board. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the company are appropriate to the business.

GOING CONCERN

United Kingdom company law requires the Company's Directors to consider whether it is appropriate to prepare the financial statements on the basis that the group is a going concern. In considering this matter the Directors have reviewed the Group's budget for 2005 and its plan for 2006. This included consideration of the cash flow implications of the budget and plan. The directors see no reason why the group and the company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the Group's financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which 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 period. In preparing those financial statements, the 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, CLB, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....
S A King - Secretary

Date: 26th May 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF PHSC PLC

We have audited the financial statements of PHSC plc for the year ended 31st March 2005 on pages seven to twenty three. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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

As described on page five the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Report of the Directors is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement and directors' report.

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 audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 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 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 of the state of affairs of the company and the group as at 31st March 2005 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CLB
Chartered Accountants and Registered Auditors
Aldwych House
81 Aldwych
London
WC2B 4HP

Date: 26th May 2005

PHSC PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st March 2005

		31.3.05	31.3.04
	Notes	£	£
TURNOVER	2	2,217,450	1,249,302
Continuing operations		1,362,489	1,249,302
Acquisitions		<u>854,961</u>	<u>-</u>
		<u>2,217,450</u>	<u>1,249,302</u>
Cost of sales	3	<u>1,037,407</u>	<u>438,409</u>
GROSS PROFIT	3	1,180,043	810,893
Net operating expenses	3	<u>718,300</u>	<u>510,152</u>
OPERATING PROFIT	5	461,743	300,741
Continuing operations		343,178	300,741
Acquisitions		<u>118,565</u>	<u>-</u>
		<u>461,743</u>	<u>300,741</u>
Interest receivable and similar income		<u>14,369</u>	<u>9,851</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		476,112	310,592
Tax on profit on ordinary activities	6	<u>159,835</u>	<u>76,097</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		316,277	234,495
Dividends	8	<u>-</u>	<u>76,250</u>
RETAINED PROFIT FOR THE YEAR FOR THE GROUP		<u>316,277</u>	<u>158,245</u>
EARNINGS PER SHARE	9	4.06p	3.13p
DILUTED EARNINGS PER SHARE	9	4.05p	3.13p

TOTAL RECOGNISED GAINS AND LOSSES

The group has no recognised gains or losses other than the profits for the current and previous years.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

The notes form part of these financial statements

PHSC PLC

CONSOLIDATED BALANCE SHEET
31st March 2005

		31.3.05		31.3.04	
Notes	£	£	£	£	£
FIXED ASSETS					
Intangible assets	10		1,104,216		664,952
Tangible assets	11		<u>389,417</u>		<u>396,503</u>
			1,493,633		1,061,455
 CURRENT ASSETS					
Debtors	13	406,640		376,727	
Cash at bank		<u>808,082</u>		<u>453,927</u>	
			1,214,722		830,654
CREDITORS					
Amounts falling due within one year	14	<u>358,989</u>		<u>228,120</u>	
NET CURRENT ASSETS			<u>855,733</u>		<u>602,534</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,349,366		1,663,989
 CREDITORS					
Amounts falling due after more than one year	15		<u>-</u>		<u>2,200</u>
			<u>2,349,366</u>		<u>1,661,789</u>
 CAPITAL AND RESERVES					
Called up share capital	17		837,550		750,000
Share premium	18		283,750		-
Revaluation reserve	18		103,112		103,112
Profit and loss account	18		<u>1,124,954</u>		<u>808,677</u>
SHAREHOLDERS' FUNDS	21		<u>2,349,366</u>		<u>1,661,789</u>

ON BEHALF OF THE BOARD:

.....
S A King - Director

.....
N C Coote - Director

Approved by the Board on 26th May 2005

The notes form part of these financial statements

PHSC PLC

COMPANY BALANCE SHEET

31st March 2005

		31.3.05		31.3.04	
Notes	£	£	£	£	£
FIXED ASSETS					
Intangible assets	10		45,239		-
Investments	12		<u>1,132,876</u>		<u>700,000</u>
			1,178,115		700,000
CURRENT ASSETS					
Debtors	13	462,874		461,084	
Cash at bank		<u>270,739</u>		<u>51,397</u>	
			733,613		512,481
CREDITORS					
Amounts falling due within one year	14	<u>50,126</u>		<u>76,669</u>	
NET CURRENT ASSETS			<u>683,487</u>		<u>435,812</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,861,602</u>		<u>1,135,812</u>
CAPITAL AND RESERVES					
Called up share capital	17		837,550		750,000
Share premium	18		283,750		-
Profit and loss account	18		<u>740,302</u>		<u>385,812</u>
SHAREHOLDERS' FUNDS			<u>1,861,602</u>		<u>1,135,812</u>

ON BEHALF OF THE BOARD:

.....
S A King - Director

.....
N C Coote - Director

Approved by the Board on 26th May 2005

The notes form part of these financial statements

PHSC PLC

CASH FLOW STATEMENT
for the year ended 31st March 2005

	Notes	31.3.05 £	£	31.3.04 £	£
Net cash inflow from operating activities	1		574,278		145,995
Returns on investments and servicing of finance	2		14,369		9,851
Taxation			(76,575)		(87,410)
Capital expenditure	2		(67,577)		(38,024)
Acquisitions and disposals	2		(302,876)		-
Equity dividends paid			<u>(76,124)</u>		<u>(30,000)</u>
			65,495		412
Financing	2		<u>288,660</u>		<u>(2,640)</u>
Increase/(Decrease) in cash in the period			<u>354,155</u>		<u>(2,228)</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Increase/(Decrease) in cash in the period		354,155		(2,228)	
Cash outflow from decrease in debt and lease financing		<u>2,640</u>		<u>2,640</u>	
Change in net funds resulting from cash flows			<u>356,795</u>		<u>412</u>
Movement in net funds in the period			356,795		412
Net funds at 1st April			<u>449,087</u>		<u>448,675</u>
Net funds at 31st March			<u>805,882</u>		<u>449,087</u>

The notes form part of these financial statements

PHSC PLC

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31st March 2005

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.3.05	31.3.04
	£	£
Operating profit	461,743	300,741
Depreciation charges	90,569	66,158
Loss on disposal of fixed assets	2,173	-
Decrease/(Increase) in debtors	51,299	(223,197)
(Decrease)/Increase in creditors	<u>(31,506)</u>	<u>2,293</u>
Net cash inflow from operating activities	<u>574,278</u>	<u>145,995</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.3.05	31.3.04
	£	£
Returns on investments and servicing of finance		
Interest received	<u>14,369</u>	<u>9,851</u>
Net cash inflow for returns on investments and servicing of finance	<u>14,369</u>	<u>9,851</u>
 Capital expenditure		
Purchase of intangible fixed assets	(45,739)	-
Purchase of tangible fixed assets	(22,288)	(38,024)
Sale of tangible fixed assets	<u>450</u>	<u>-</u>
Net cash outflow for capital expenditure	<u>(67,577)</u>	<u>(38,024)</u>
 Acquisitions and disposals		
Intangible Fixed Assets	(12,500)	-
Tangible Fixed Assets	(5,067)	-
Current Assets	(81,213)	-
Trade Creditors	21,302	-
VAT, Corporation Tax and PAYE/NI	42,708	-
Directors Loan	41,669	-
.		
Goodwill on Acquisition	(439,775)	(698,952)
Amounts still owing on acquisition	50,000	-
Satisfied by Allotment of Shares	<u>80,000</u>	<u>698,952</u>
Net cash outflow for acquisitions and disposals	<u>(302,876)</u>	<u>-</u>
 Financing		
Capital repayments in year	(2,640)	(2,640)
Shares issued (for cash)	70,454	-
Premium on Shares Issued in Period	239,546	-
Costs of placing new shares issued	<u>(18,700)</u>	<u>-</u>
Net cash inflow/(outflow) from financing	<u>288,660</u>	<u>(2,640)</u>

The notes form part of these financial statements

PHSC PLC

NOTES TO THE CASH FLOW STATEMENT for the year ended 31st March 2005

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.04 £	Cash flow £	At 31.3.05 £
Net cash:			
Cash at bank	<u>453,927</u>	<u>354,155</u>	<u>808,082</u>
	<u>453,927</u>	<u>354,155</u>	<u>808,082</u>
Debt:			
Hire purchase	<u>(4,840)</u>	<u>2,640</u>	<u>(2,200)</u>
	<u>(4,840)</u>	<u>2,640</u>	<u>(2,200)</u>
Total	<u>449,087</u>	<u>356,795</u>	<u>805,882</u>

4. MAJOR NON-CASH TRANSACTIONS

A certain proportion of the consideration for the acquisition of the subsidiary during the year comprised shares as shown above.

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31st March 2005

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of PHSC plc and all of its subsidiaries as at 31st March 2005 using the acquisition method of accounting.

Turnover and Annual Contracts

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers.

Income derived from annual contracts is recognised at the point at which a fair value can be attributed to the various components of the contract. Where it is not possible to attribute a fair value, consideration is given to whether sums received are non-refundable.

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and interests and represents the excess of the cost of acquisition over the net asset values of the subsidiaries or interests acquired. In accordance with the Financial Reporting Standards (FRS 10) such goodwill is capitalised as an intangible asset and then amortised against profits in equal instalments over its estimated useful life. The expected useful life of acquired goodwill is estimated at 20 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 2% on cost
Improvements to property	- 10% on cost
Fixtures & Equipment	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into the replacement assets and charged only to tax where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax balances are not discounted.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31st March 2005

1. ACCOUNTING POLICIES - continued

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profit on a straight line basis over the period of the lease.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Going concern

United Kingdom company law requires the Company's Directors to consider whether it is appropriate to prepare the financial statements on the basis that the group is a going concern. In considering this matter the Directors have reviewed the Group's budget for 2005 and its plan for 2006. This included consideration of the cash flow implications of the budget and plan. The directors see no reason why the group and the company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the Group's financial statements.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group and all within the UK.

3. ANALYSIS OF OPERATIONS

	Continuing £	31.3.05 Acquisitions £	Total £
Cost of sales	<u>458,323</u>	<u>579,084</u>	<u>1,037,407</u>
Gross profit	<u>904,166</u>	<u>275,877</u>	<u>1,180,043</u>
Net operating expenses:			
Administrative expenses	<u>560,988</u>	<u>157,312</u>	<u>718,300</u>

	Continuing £	31.3.04 Acquisitions £	Total £
Cost of sales	<u>438,409</u>	<u>-</u>	<u>438,409</u>
Gross profit	<u>810,893</u>	<u>-</u>	<u>810,893</u>
Net operating expenses:			
Administrative expenses	<u>510,152</u>	<u>-</u>	<u>510,152</u>

4. STAFF COSTS

	31.3.05 £	31.3.04 £
Wages and salaries	1,245,459	543,194
Social security costs	91,798	44,776
Other pension costs	<u>21,799</u>	<u>9,607</u>
	<u>1,359,056</u>	<u>597,577</u>

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

4. STAFF COSTS - continued

The average monthly number of employees during the year was as follows:

	31.3.05	31.3.04
Consultants	35	14
Administrative	<u>6</u>	<u>5</u>
	<u>41</u>	<u>19</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	31.3.05	31.3.04
	£	£
Depreciation - owned assets	29,677	29,302
Depreciation - assets on hire purchase contracts	2,142	2,856
Loss on disposal of fixed assets	2,173	-
Goodwill amortisation	58,750	34,000
Auditors remuneration	4,000	2,000
Auditors' remuneration for non audit work	-	6,875
Operating lease charges – land & buildings	5,814	
- other	<u>11,295</u>	<u>11,295</u>
Directors' emoluments	78,004	60,525
Directors' pension contributions to money purchase schemes	<u>5,000</u>	<u>-</u>

During the year 2 directors participated in a money purchase pension scheme.

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.3.05	31.3.04
	£	£
Current tax:		
UK corporation tax	160,064	77,690
Over/Under Provision	<u>(229)</u>	<u>(1,593)</u>
Tax on profit on ordinary activities	<u>159,835</u>	<u>76,097</u>

UK corporation tax has been charged at 34.60% (2004 - 25%).

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

6. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.3.05	31.3.04
	£	£
Profit on ordinary activities before tax	<u>476,112</u>	<u>310,592</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	142,834	93,178
Effects of:		
Amortisation of goodwill on consolidation not eligible for capital allowances	17,100	10,200
Depreciation in excess of capital allowances claimed	3,258	3,319
Disallowed expenses and adjustments	153	698
Marginal Relief for profits less than upper limit	<u>(3,510)</u>	<u>(31,298)</u>
Current tax charge	<u>159,835</u>	<u>76,097</u>

The amount of deferred tax that has not been provided on the revalued fixed assets is £30,933 (2004: £30,933). At present it is not envisaged that any tax will become payable in the foreseeable future.

7. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £354,490 (2004 - £468,222).

8. DIVIDENDS

	31.3.05	31.3.04
	£	£
Equity shares:		
Final	<u>-</u>	<u>76,250</u>

9. PROFIT PER SHARE

The profit per share is 4.06p (2004: 3.13p) and the diluted profit per share is 4.05p (2004: 3.13p)

The basic profit per share is calculated by dividing the profit on ordinary activities after tax of £316,277 (2004: £234,495) by 7,783,784 ordinary shares (2004: 7,500,000) being the weighted average number of shares in issue and carrying the right to receive dividend during year ended 31 March 2005.

The calculation of diluted earnings per share is based on the consolidated profit on ordinary activities after tax for the financial year of £316,277 (2004: £234,495) and on 7,811,505 ordinary shares (2004: 7,500,000), being the weighted average number of ordinary shares in issue and carrying the right to receive a dividend during the year, being 7,783,784 (2004: 7,500,000) ordinary shares diluted for the effect of 27,721 (2004: nil) warrants issued.

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1st April 2004	698,952
Additions	485,514
In subsidiaries acquired	<u>12,500</u>
At 31st March 2005	<u>1,196,966</u>
AMORTISATION	
At 1st April 2004	34,000
Amortisation for year	<u>58,750</u>
At 31st March 2005	<u>92,750</u>
NET BOOK VALUE	
At 31st March 2005	<u>1,104,216</u>
At 31st March 2004	<u>664,952</u>

Company

	Goodwill £
COST	
Additions	<u>45,739</u>
At 31st March 2005	<u>45,739</u>
AMORTISATION	
Amortisation for year	<u>500</u>
At 31st March 2005	<u>500</u>
NET BOOK VALUE	
At 31st March 2005	<u>45,239</u>

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

11. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Improvements to property £	Fixtures & Equipment £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1st April 2004	324,250	3,434	91,742	71,051	490,477
Additions	-	-	22,288	-	22,288
Disposals	-	-	(7,348)	-	(7,348)
Acquisition of Subsidiary	-	-	5,068	-	5,068
At 31st March 2005	<u>324,250</u>	<u>3,434</u>	<u>111,750</u>	<u>71,051</u>	<u>510,485</u>
DEPRECIATION					
At 1st April 2004	6,485	686	68,469	18,334	93,974
Charge for year	6,485	343	11,812	13,179	31,819
Eliminated on disposal	-	-	(4,725)	-	(4,725)
At 31st March 2005	<u>12,970</u>	<u>1,029</u>	<u>75,556</u>	<u>31,513</u>	<u>121,068</u>
NET BOOK VALUE					
At 31st March 2005	<u>311,280</u>	<u>2,405</u>	<u>36,194</u>	<u>39,538</u>	<u>389,417</u>
At 31st March 2004	<u>317,765</u>	<u>2,748</u>	<u>23,273</u>	<u>52,717</u>	<u>396,503</u>

Cost or valuation at 31st March 2005 is represented by:

	Freehold property £	Improvements to property £	Fixtures & Equipment £	Motor vehicles £	Totals £
Valuation in 2003	103,112	-	-	-	103,112
Cost	<u>221,138</u>	<u>3,434</u>	<u>111,750</u>	<u>71,051</u>	<u>407,373</u>
	<u>324,250</u>	<u>3,434</u>	<u>111,750</u>	<u>71,051</u>	<u>510,485</u>

If freehold property had not been revalued it would have been included at the following historical cost:

	31.3.05	31.3.04
	£	£
Cost	<u>221,138</u>	<u>221,138</u>

Freehold property was valued on an open market basis on 3rd February 2003 by Michael Jeffreys Chartered Surveyors.

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

11. TANGIBLE FIXED ASSETS - continued

Group

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST OR VALUATION	
At 1st April 2004	
and 31st March 2005	<u>12,185</u>
DEPRECIATION	
At 1st April 2004	3,618
Charge for year	<u>2,142</u>
At 31st March 2005	<u>5,760</u>
NET BOOK VALUE	
At 31st March 2005	<u>6,425</u>
At 31st March 2004	<u>8,567</u>

12. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1st April 2004	700,000
Additions	<u>432,876</u>
At 31st March 2005	<u>1,132,876</u>
NET BOOK VALUE	
At 31st March 2005	<u>1,132,876</u>
At 31st March 2004	<u>700,000</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following subsidiaries:

Personnel Health & Safety Consultants Limited

Country of incorporation: United Kingdom

Nature of business: Health & Safety

	%
Class of shares:	holding
ordinary	100.00

Personnel Health & Safety Consultants (Southern) Limited

Country of incorporation: United Kingdom

Nature of business: Health & Safety

	%
Class of shares:	holding
ordinary	100.00

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

12. **FIXED ASSET INVESTMENTS - continued**

Personnel Health & Safety Consultants (Northern) Limited

Country of incorporation: United Kingdom

Nature of business: health & Safety

	%
Class of shares:	holding
ordinary	100.00

Personnel Health & Safety Consultants (Midlands) Limited

Country of incorporation: United Kingdom

Nature of business: Health & Safety

	%
Class of shares:	holding
ordinary	100.00

CounterClaim UK Limited

Country of incorporation: United Kingdom

Nature of business: Health & Safety

	%
Class of shares:	holding
ordinary	100.00

RSA Environmental Health Limited

Country of incorporation: United Kingdom

Nature of business: Health & Safety

	%
Class of shares:	holding
ordinary	100.00

During the year the company acquired a 100% shareholding in RSA Environmental Health Limited. The cost of the investment was £432,876 and negative assets of £6,899 were acquired resulting in goodwill arising of £439,775.

Net assets are considered to be of fair value.

13. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	31.3.05	31.3.04	31.3.05	31.3.04
	£	£	£	£
Trade debtors	355,158	143,886	-	-
Amounts owed by group undertakings	-	-	429,203	454,913
Other debtors	6,231	203,069	6,171	6,171
Prepayments and accrued income	<u>45,251</u>	<u>29,772</u>	<u>27,500</u>	<u>-</u>
	<u>406,640</u>	<u>376,727</u>	<u>462,874</u>	<u>461,084</u>

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.05	31.3.04	31.3.05	31.3.04
	£	£	£	£
Hire purchase contracts (see note 16)	2,200	2,640	-	-
Tax	160,950	77,690	-	419
Social security and other taxes	-	12,552	-	-
VAT	96,636	50,434	-	-
Proposed dividends	-	76,250	-	76,250
Other creditors	84,756	3,756	50,126	-
Directors' current accounts	47	47	-	-
Accrued expenses	<u>14,400</u>	<u>4,751</u>	-	-
	<u>358,989</u>	<u>228,120</u>	<u>50,126</u>	<u>76,669</u>

Included in 'Other Creditors' is £50,000 due in respect of the acquisition of RSA Environmental Health Limited.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	31.3.05	31.3.04
	£	£
Hire purchase contracts (see note 16)	<u>-</u>	<u>2,200</u>

16. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

Group	Hire purchase contracts	
	31.3.05	31.3.04
	£	£
Net obligations repayable:		
Within one year	2,200	2,640
Between one and five years	<u>-</u>	<u>2,200</u>
	<u>2,200</u>	<u>4,840</u>

17. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.05	31.3.04
			£	£
10,000,000	Ordinary	10p	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.05	31.3.04
			£	£
8,375,504	Ordinary	10p	837,550	750,000
(31.3.04 - 7,500,000)			<u> </u>	<u> </u>

The following fully paid shares were allotted during the year at a premium as shown below:

875,504 Ordinary shares of 10p each at 44p per share

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31st March 2005

18. RESERVES

Group	Profit and loss account £	Share premium £	Revaluation reserve £	Totals £
At 1st April 2004	808,677	-	103,112	911,789
Retained profit for the year	316,277	-	-	316,277
Cash share issue	-	283,750	-	283,750
	<u>1,124,954</u>	<u>283,750</u>	<u>103,112</u>	<u>1,511,816</u>
Company	Profit and loss account £	Share premium £	Totals £	
At 1st April 2004	385,812	-	385,812	
Retained profit for the year	354,490	-	354,490	
Cash share issue	-	283,750	283,750	
	<u>740,302</u>	<u>283,750</u>	<u>1,024,052</u>	

19. RELATED PARTY DISCLOSURES

The company is exempt from the requirement to disclose related party transactions with other group companies under the provisions of Financial Reporting Standard No. 8. All group transactions were eliminated on consolidation.

20. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the UK, is the ultimate parent company of the group. Mr SA King, managing director, is the ultimate controlling party with 43.97% of the issued share capital of PHSC plc.

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	31.3.05 £	31.3.04 £
Profit for the financial year	316,277	234,495
Dividends	-	(76,250)
	<u>316,277</u>	<u>158,245</u>
Shares issued in Holding company	87,550	700,000
Premium on shares issued	302,450	-
Costs of placing new shares issued	(18,700)	-
Shares exchange in subsidiary companies	-	(1,048)
	<u>687,577</u>	<u>857,197</u>
Net addition to shareholders' funds	<u>687,577</u>	<u>857,197</u>
Opening shareholders' funds	<u>1,661,789</u>	<u>804,592</u>
	<u>2,349,366</u>	<u>1,661,789</u>
Closing shareholders' funds	<u>2,349,366</u>	<u>1,661,789</u>
	<u>2,349,366</u>	<u>1,661,789</u>
Equity interests	<u>2,349,366</u>	<u>1,661,789</u>

PHSC PLC

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31st March 2005

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - continued

Company	31.3.05	31.3.04
	£	£
Profit for the financial year	354,490	468,222
Dividends	<u>-</u>	<u>(76,250)</u>
	354,490	391,972
Shares Issues (at Premium)	390,000	700,000
Placing costs incurred on issue	<u>(18,700)</u>	<u>-</u>
Net addition to shareholders' funds	725,790	1,091,972
Opening shareholders' funds	<u>1,135,812</u>	<u>43,840</u>
Closing shareholders' funds	<u><u>1,861,602</u></u>	<u><u>1,135,812</u></u>
Equity interests	<u><u>1,861,602</u></u>	<u><u>1,135,812</u></u>

22. OPERATING LEASE AGREEMENTS

As at 31st March 2005 the group had aggregate annual commitments under non-cancellable operating leases as set out below:

	31.3.05	31.3.04
	£	£
		Land and Buildings
Operating leases which expire:		
Within 2 to 5 years	5,814	-
		Other
Within 1 year	-	994
Within 2 to 5 years	11,295	-

23. TREASURY POLICY AND FINANCIAL INSTRUMENTS

The group operates informal treasury policies which include continuing assessments of interest rate management and borrowing policy. The board approves all decision on treasury policy.

Facilities are arranged, based on criteria determined by the board, as required to finance the long term requirements of the group. To date the group has financed its activities by the raising of funds through the placing of shares.

The group has taken advantage of the exemption permitting it not to include short term debtors and in the disclosures required by FRS 13 'Derivatives and Other Financial Instruments: Disclosure' other than the currency disclosures.