

PHSO plc



*Annual
Report
2009*

PHSC plc

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for the year ended 31 March 2009

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COMPANY INFORMATION

DIRECTORS:	SA King N C Coote G N Webb MBE M J L Miller
SECRETARY:	L E Young
REGISTERED & HEAD OFFICE ADDRESS:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
AUDITORS:	Littlejohn LLP Chartered Accountants & Registered Auditors 1 Westferry Circus Canary Wharf London E14 4HD
SOLICITORS:	Gullands 16 Mill Street Maidstone Kent ME15 6XT
REGISTRARS:	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA
NOMINATED ADVISORS:	Astaire Securities plc 30 Old Broad Street London EC2N 1HT
BROKERS:	Religare Hichens, Harrison plc Bell Court House 11 Blomfield Street London EC2M 1LB

PHSC plc

GROUP CHIEF EXECUTIVE'S REVIEW

for the year ended 31 March 2009

I am pleased to present my review of how the Group has performed financially over the year and to outline some of the activities that have taken place. In addition, I look forward to our prospects and opportunities for the year ahead.

Although the reduction in earnings during the year is disappointing, the Group has stood up well in comparison to some of its peers. We benefit from a very healthy cash position, albeit that interest earned dropped by around £24,000 from the previous year.

One acquisition was concluded during the year, when we welcomed Inspection Services (UK) Limited into the Group. The new company undertakes statutory and non-statutory examination of various plant and equipment across the UK, obtaining a large proportion of revenues via insurance brokers. Reference to the transaction is made in the section headed "Recent and Proposed Acquisitions" below.

In line with the board's stated policy of buying back shares where the price is attractive and where cash flow allows, a total of 445,000 Ordinary Shares were purchased during the year and subsequently cancelled.

In last year's statement it was reported that we agreed to acquire the virtual freehold of the RSA Environmental Health Limited premises at Raunds, Northants, for a fee of £74,500. This was duly completed and funded from existing cash resources.

Recent and Proposed Acquisitions

Inspection Services (UK) Limited was purchased on 1 October 2008 for an initial goodwill consideration of £180,000 with a potential further payment of £25,000 after the first anniversary depending on profit targets being achieved.

Our proposed acquisition of a water services company, reported last year, did not proceed due to a combination of circumstances. These were a below expected performance by that company in the period of due diligence, and a view by our own board that shareholders' interests would be better served by conserving our cash reserve.

Corporate Structure

In addition to myself, Nicola Coote is an executive director. There are two non-executive directors on the board: Mike Miller, who chairs the audit committee, and Graham Webb MBE who chairs the remuneration committee. The contracts of both non-executives were extended for a further twelve months from 31 March 2009.

A chartered secretary, Lorraine Young, supports the board and its committees. The corporate resource is strengthened by the presence of our group accountant, Candy Wilton.

Group Performance

The Group's pre-tax profit of £472,000 for the year ended 31 March 2009 represents a fall of 38% from the previous years profit of £757,000 reflecting the challenging trading conditions. The basic earnings per share fell from 4.48p to 2.89p despite the share buy-backs during the year. The Group's net assets rose by £11,000 from £4.89m to £5.00m.

Performance by Trading Subsidiaries

Profit figures below are stated before tax and Group management charges. A number of health and safety training, and general consultancy assignments, carried out by particular trading subsidiaries will have been invoiced by other Group companies. For that reason, as in previous years, it is inappropriate to make direct performance comparisons at subsidiary company level. Reference should be made to the Group's overall performance.

Personnel Health and Safety Consultants Limited

Sales of £1.08 million, yielding a profit of £518,000.

In the previous year there were sales of £1.05 million and a profit of £561,000.

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GROUP CHIEF EXECUTIVE'S REVIEW *(continued)*

for the year ended 31 March 2009

RSA Environmental Health Limited

Sales of £802,000, yielding a loss of £29,000.

In the previous year there were sales of £971,000 and a profit of £70,000.

Adamson's Laboratory Services Limited

Sales of £2.60 million yielding a profit of £410,000.

In the previous year there were sales of £2.73m, yielding a profit of £490,000.

Envex Company Limited

Sales of £225,000, yielding a profit of £9,000.

In the previous year there were sales of £224,000 and a profit of £15,000.

In House The Hygiene Management Company Limited

Sales of £233,000, yielding a profit of £10,000.

In the previous year there were sales of £118,000 and a profit of £17,000 in the four month period following acquisition of the company on 30 November 2007.

Inspection Services (UK) Limited

Sales of £128,000, yielding a profit of £33,000 for the six-month period from the date of acquisition. An adjustment to the way in which income was recognised in the completion accounts was required to ensure compliance with UK GAAP. The adjustment of net asset value was provisionally set at £15,000 at the date of acquisition, but is subject to ongoing discussion as to quantum. We believe that a substantially higher figure is ultimately repayable in due course.

Dividend

The board is proposing a final dividend of 0.85p per ordinary share to be paid on 18 September 2009 to shareholders on the register as at 21 August 2009.

Prospects

In the current climate, and based upon the predictions of most economic forecasters looking at the UK economy, we do not expect that the year ending March 2010 will be any easier than the previous year. This is evidenced by the fact that trading in the first quarter of 2009/10 generated Group revenues of £1,092,000, against £1,248,000 for the same period the previous year.

With many clients seeking to reduce spending on non-essential services, our target must be to try to maintain core revenues at a similar level to the year just ended. Despite the challenges we are faced with, our diverse client base gives us some degree of protection because we are not reliant upon any particular business sector.

Our strong cash position means that we have no direct exposure to the difficulties caused by restrictions on corporate lending. In fact we have halved the outstanding mortgage on our Raunds premises since the year end, repaying a lump sum of £40,000 to reduce future interest payments. Nevertheless, we are essentially a support service and the financial health of our clients is key to our own success. The Group does not intend to follow the lead of some others in the health, safety and environmental consultancy community who are known to be chasing revenue without regard to profits. We will seek to win new business where we can, emphasising the quality of our service, and given that it is commercially viable to do so.

Finally, we will continually review expenditure across the Group with a view to reducing our own costs.

Stephen King

Group Chief Executive

PHSC plc

REPORT OF THE DIRECTORS

for the year ended 31 March 2009

The directors present their report with the audited financial statements of PHSC plc Company and Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

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 matters in general and more specifically in the area of asbestos and food hygiene. Statutory examinations of plant and equipment have also been provided as a result of an acquisition during the year.

REVIEW OF BUSINESS

The Group results for the year and financial position of the Group is shown in the annexed Financial Statements. The Group Chief Executive's review of the business is provided on pages 3 and 4. A review of the activities of each trading subsidiary is provided below.

Personnel Health & Safety Consultants Limited (PHSCL)

Turnover for the year was £1.081m compared with £1.052m for the previous year. As discussed in past years, annual revenue fluctuates as a consequence of normal business activity but more particularly because the company is part of a network of trading subsidiaries within a group. Policy dictates that sales enquiries are dealt with by subsidiaries according to the type of work, the client location, and availability of resources. It is also the case that subsidiaries can and do call upon fee-earners from other subsidiaries to carry out work on their behalf. Except where there is necessary reason to cross-charge, for example during an earn-out period following an acquisition, there is no inter-subsiary invoicing.

Adamson's Laboratory Services Limited (ALS)

ALS has benefited from securing major new contracts and expanding or extending existing term contracts. Turnover was substantially maintained for the year ended 31 March 2009.

The company's core activity of providing asbestos consultancy has consolidated and continues to service a wide range of clients but new names have also been added to the client list.

The ALS contract at Shell Tower Renewal Project continues to grow and is projected to be worth in the region of £1.8 million over the three-year contract. Phase 4 is due to commence in 2009 and will be worth in the region of £400,000.

The new and extended contracts include asbestos consultancy and surveying services for the London Borough of Brent, University of Cambridge, Hertfordshire County Council, Chelmer Housing, Thurrock Borough Council and St Georges Community Housing.

The trend for the employment of compliance advisors continues with the placement of ALS asbestos consultants in semi-permanent positions. ALS currently has placements at The University of Cambridge, London Borough of Lewisham and St Georges Community Housing.

The Raunds office continues to be successful. The number of personnel working out of this office has increased substantially. While working alongside the Corringham office assisting and servicing existing clients, the Raunds office is making a name for itself acquiring new clients and developing new business.

The health and safety department has been successful in winning substantial new business via the Safety Advisor Service, increasing the value of these contracts by over 11% compared to last year. New business has also been won from general enquiries. ALS has been appointed safety advisor for EMBS of The University of Cambridge, The Honourable Society of The Inner Temple, Royal College of Surgeons, Wurth UK Ltd, and others. The health and safety secondment with Petroplus has been extended for another year.

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

Regulatory pressures and fears of litigation have established asbestos management as a growth business. Public and private sector property managers are under obligation to manage their asbestos risk. This has led to a significant increase in the provision of asbestos awareness and asbestos compliance training courses given by ALS. The training department has focused on in-house training courses and has seen a substantial growth in the demand for both awareness and general health and safety training. To enable ALS to fulfill the increase in training enquires a new trainer has joined the training department.

RSA Environmental Health Limited (RSA)

Turnover for the year ended 31 March 2009 decreased by £169,000 compared to the previous year. The reduction in costs by £69,000 was insufficient amount to avoid a loss being made.

One of the primary objectives for the year had been to expand RSA's staffing services and deliver a permanent recruitment solution to sit alongside established agency work. A significant investment in terms of resources and finance was made to help establish and grow this venture but as the UK moved into a recession, the financial downturn negatively impacted the health and safety recruitment sector deeply. RSA has now closed down this activity and halted any further related costs to prevent further loss.

Private sector fee income for the year was similar to the previous financial year, but the significant fall in sales to the Local Authority sector largely resulted in an overall drop in company turnover. A change to Local Authority enforcement strategy has seen greater concentration on dealing with high-risk food premises, rather than simply inspecting all food premises regardless of risk. As RSA carries out such inspections on a contract basis, the lower number of inspections resulted in a reduction in revenue. In the new financial year greater emphasis will be placed on providing more creative solutions to Local Authorities to help meet their enforcement targets, in an effort to remain ahead of the competition.

At the end of the year, RSA reduced staff numbers in response to the changed market and implemented significant cost saving measures. In March 2009, RSA was awarded a significant private sector contract by the Channel Islands based company, Sandpiper. This will likely increase Safety Advisor Service fee income by around 40% and in the new financial year greater emphasis will be placed upon continuing to source further private sector work.

Envex Company Limited (Envex)

The company has completed its integration with PHSC plc, developing good working relationships with all group companies. A new office and business development manager has been recruited who has qualifications in safety which will bring additional flexibility into the business and will improve the company's ability to liaise with potential new clients.

Costs have been cut in response to the challenging business environment, but investment in IT and telecoms technology is being considered to provide a better client response. The focus continues to be on growing our Safety Advisor Support Service, which remains the cornerstone of the PHSC plc group of companies. The company has been successful in winning the largest ASA contract to date this year.

Envex remains a leading provider of the Institute of Risk Management's "Managing of Risk and Uncertainty" training course. The company offered its first NEBOSH Certificate training course during the year and this will assist in further raising Envex's profile as a quality training provider.

In House The Hygiene Management Company Limited (In House)

In House was acquired by PHSC plc on 30 November 2007. The year ended 31 March 2009 represents the first full year of trading under the ownership of the Group.

The effect of the loss of long-standing contracts with The Restaurant Group and contract caterers Holroyd Howe (reported in statutory accounts for the year end 31 March 2008) continued to be felt and the expected reduction in

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

turnover occurred. Furthermore, In House has previously concentrated on delivering services to the hotel, restaurant, bar and contract catering sectors all of which have suffered in the economic downturn. Despite a very significant reduction in income, the restructuring of resources meant that In House came very close to break even for the year in spite of significant consultancy payments to the previous owner, which will not continue in the new financial year.

As In House is now part of a larger organisation with greater resources and a broader range of services, there is opportunity to tender services in a wider range of sectors as well as to seek to win business from larger, more expensive competitors in an increasingly cost-conscious era.

Inspection Services Limited (Inspection Services)

Inspection Services was acquired by PHSC plc on 1 October 2008. The company has retained its team of engineers who continue to service the customer base comprising a broad range of clientele including the Broker Network and a variety of SME's. It is anticipated that as Inspection Services is now part of a larger organisation with greater resources and a broader range of services, there will be greater opportunities to expand the client base further. In addition, greater efficiency due to centralised services and the synergistic effect of companies in the group offering similar but differing services, should provide a platform for future growth.

Inspection Services will continue to keep its own identity and to trade based upon a high quality personal service, but with the support of substantial resources.

KEY PERFORMANCE INDICATORS (KPI's)

The board currently looks at three KPI's: 1. Total revenues, 2. Pre-tax profit per subsidiary before Group management charges, and 3. Staff turnover.

Total revenues are reviewed each month across the Group because this information gives a ready measure of how well the Group is performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate.

Profits before tax and management charges are reviewed by subsidiary each month because the board is keen to ensure that each subsidiary trades profitably. Although the Group does not adopt a policy of cross-charging between subsidiaries, informal account is taken of significant work done by one subsidiary on behalf of another.

Staff turnover is monitored because the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. At the beginning of the year the total number of full-time equivalent staff directly employed by the Group was 78 and at the end of the year the figure was 73. During the year there were 6 joiners and 11 leavers. One employee joined the Group as an administrator further to the acquisition of Inspection Services. Two engineers were recruited by Inspection Services shortly after the year end.

PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory/Marketplace

Much of the Group's work involves assisting organisations with the implementation of measures to meet regulatory requirements relating to health and safety at work. If the regulatory burden was to be substantially lightened, for example if the Government embarked upon a programme of radical deregulation, there could be less demand for the Group's services.

If it became mandatory for organisations of a certain size to employ dedicated health and safety personnel directly, this may have the effect of substantially reducing the number of clients to whom the Group could provide a service.

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

Changes to the operation of the employer's liability insurance system, as proposed in some quarters, could reduce the incentive for organisations to buy in claims-preventive services such as health and safety advice.

Technological

The Group's website is a primary source of new business. If the website became inaccessible for protracted periods, or was subject to "hacking", this may prejudice the opportunity to obtain new business.

The increase in the use of the Internet for satisfying business requirements may lead to a reduction in demand for face-to-face consultancy services.

The number of training courses commissioned from Group companies may be affected by moves towards screen-based interactive learning.

Personnel

Generally there is an excess of demand over supply for health and safety professionals. Those with sufficient qualifications and experience to be suitable for consultancy roles are in the minority. This has the combined effect of making it difficult for the Group to source suitable personnel and having to offer higher remuneration packages to attract them.

The Group is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key member of management of the Group may have an adverse effect on the future of the Group's business.

Geographical

The Group offers a nationwide service but does not have offices north of the Midlands. Some organisations see benefit in using consultancies that are local to them and this puts the Group at a disadvantage when seeking contracts in the north of the UK.

Licences

The Group is reliant on licences and accreditations in order to be able to carry on its business. The temporary loss of, or failure to maintain, any single licence or accreditation would be unlikely to be materially detrimental to the Group, as the directors believe that this could be remedied. However, if the Group fails to remedy any loss of, or does not maintain, any licence or accreditation, this would have a material adverse effect on the business of the Group.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Group:

- has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the companies by monitoring levels of debt finance and the related finance costs;
- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts; and
- actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient funds for continuing operations and planned expansions.

GOING CONCERN

The Financial Statements have been prepared on the going concern basis.

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

EMPLOYEES

Group companies each have in place the necessary structures to ensure effective communication with all employees. In addition, there are initiatives to ensure that staff are offered continuing professional development opportunities appropriate to their roles.

DIVIDENDS

A dividend of £97,334 was paid during the year ended 31 March 2009. The board is proposing a final dividend of 0.85p per ordinary share to be paid on 18 September 2009 to shareholders on the register as at 21 August 2009.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
M J L Miller
G N Webb MBE

SHARE BUY BACKS

The following fully paid ordinary 10p shares were purchased by PHSC plc during the year at a premium to their nominal value, as shown below:

	Number of shares	Nominal value of shares	Consideration paid
25 June 2008	25,000	£2,500	£9,750
27 June 2008	25,000	£2,500	£9,687
27 June 2008	10,000	£1,000	£3,900
27 June 2008	10,000	£1,000	£3,875
12 September 2008	100,000	£10,000	£36,500
2 October 2008	275,000	£27,500	£63,250
Total	445,000	£44,500	£126,962

The total of these purchases represent less than 1% of the issued share capital of PHSC plc. The directors believe that it is appropriate to purchase shares for cancellation when they become available at, or at a lower level than, the level at which they were originally released to the market. This also has the effect of improving earnings per share.

Since the year end the company has purchased a further 500,000 ordinary shares on 24 July 2009 for a total consideration of £90,000. The nominal value of these shares was £50,000 and they have been cancelled.

CREDITOR PAYMENT POLICY

The Group seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 March 2009 the number of creditors days in respect of trade creditors was 22 (2008: 25).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £620 (2008: £1,224) were made by the Group during the year. The Group does not make political contributions.

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

SUBSTANTIAL SHAREHOLDINGS

At 31 July 2009, the following persons had notified the company of an interest of 3% or more of its issued share capital.

Name	Number of ordinary shares	Percentage of issued share capital
SA King	3,098,100	29.29
N C Coote	3,079,342	29.12
Unicorn Asset Management Limited		
Unicorn AIM VCT II plc	849,057	8.03
AXA SA and Group companies	646,509	6.11
including AXA Framlington AIM VCT 2 plc	412,399	3.90
Directors Dealing Investment Trust plc	600,396	5.68
Marlborough UK Equity Growth Fund	350,000	3.31

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The directors have implemented International Financial Reporting Standards in the Group Financial Statements as required by the Alternative Investment Market.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved:

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

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 10.00am on Wednesday 9 September 2009 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 42 to 44 of this document and a form of proxy is on page 45.

Details of the business to be considered at the meeting are given below.

Authority of directors to allot shares (Resolutions 5 and 6)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 5 gives the directors the necessary authority for a period of five years from the date when the resolution is passed to allot securities up to an aggregate nominal amount of £442,390.

Resolution 6 empowers the directors, until the earlier of the date which is six months after the end of the company's next financial year and the AGM in 2010, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,115,200 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 31 July 2009. It is intended to renew this authority and power at each annual general meeting.

Authority for the company to purchase its own shares (Resolution 7)

Resolution 7 authorises the company, until the end of next year's AGM (or, if earlier, on the date which is six months from the end of the company's next financial year) to purchase in the market up to a maximum of 1,586,402 ordinary

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

shares (equivalent to approximately 15% of the issued share capital of the company as at 31 July 2009) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 percent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately before the date of purchase.

The company may hold any repurchased shares in treasury, instead of cancelling them immediately. If the company buys back its own shares and holds them in treasury it may then deal with some or all of them in several ways. It may sell them for cash; transfer them under the provisions of an employee share scheme; cancel them; or continue to hold them in treasury. Holding shares in treasury in this way would allow the company to reissue them quickly and cost effectively, giving increased flexibility to the management of its capital base. Dividends are not paid on shares held in treasury, nor do they carry voting rights while they remain there. The directors intend to decide at the time of any share buyback, whether to cancel the shares immediately or to hold them in treasury, depending on what would best promote the success of the company at the time. The company does not currently hold any shares in treasury.

The proposal should not be taken as an indication that the company will purchase shares at any particular price or indeed at all, and the directors will only consider making purchases if they believe that such purchases would result in an increase in earnings per share and are in the best interests of shareholders.

New articles of association (Resolution 8)

It is proposed to adopt new articles of association to reflect the changes in company law brought about by Companies Act 2006. The main changes from the company's existing articles are summarised below. In addition to these, there are other minor or technical changes, which are not included in the summary. A copy of the proposed new articles will be available for inspection at the registered office of the company from the date on which the notice of AGM is posted to shareholders until the end of that meeting.

Articles which duplicate statutory provisions

Provisions in the current articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the new articles or amended to bring them into line with the Companies Act 2006. This is in accordance with the approach advocated by the UK Government that statutory provisions should not be duplicated in a company's constitution. Examples of such provisions include those as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and those regarding the period of notice required to convene general meetings. The main changes made to those are detailed below.

Objects

From 1 October 2009 it will no longer be necessary for a company to restrict its objects. Therefore these have not been reproduced in the new articles. Although the objects clause is in the company's memorandum at the moment, after 1 October 2009 the provisions of the memorandum will be deemed to be part of the articles.

Authorised capital

The concept of authorised capital does not appear in Companies Act 2006 and the authorised capital clause will therefore not be carried over to the new articles.

Resolutions of members

The current articles allow members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions of their members. These provisions are therefore not included in the new articles.

Convening general meetings

The provisions in the current articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006.

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REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2009

Votes of members

Under the Companies Act 2006 proxies are entitled to speak at a general meeting and vote on a show of hands (as well as on a poll). The current articles do not give these rights to proxies. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Members may appoint more than one proxy as long as each one is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed (but if they purport to exercise their rights in different ways over the same shares, then the power is treated as not being exercised). The proposed new articles reflect all of these new provisions.

Age of directors

The current articles contain a provision limiting the age at which a director can be appointed. Such a provision could now fall foul of the Employment Equality (Age) Regulations 2006 and so has been removed.

Records to be kept

The provision in the current articles requiring the board to keep accounting records has been removed as this requirement is contained in the Companies Act 2006.

Suspension of registration of share transfers

The current articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the current articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the new articles.

Distribution of assets otherwise than in cash

The current articles contain provisions dealing with the distribution of assets in kind in the event of the company going into liquidation. These provisions have been removed in the new articles on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the current articles.

Voting

A form of proxy is included at the end of this document for use at the AGM. Please complete, sign and return it as soon as possible in accordance with the instructions on it, whether or not you intend to come to the AGM. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. A form of proxy should be returned so that it is received not less than 48 hours before the time of the AGM.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. The directors will be voting in favour of them and unanimously recommend that you do so as well.

On behalf of the board

L E Young

Secretary

11 August 2009

PHSC plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2009

The directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law the directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards.

The Group Financial Statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year.

The Parent Company Financial Statements are required by law to give a true and fair view of the state of the affairs of the Parent Company.

In preparing these Financial Statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- for the Parent Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group and Parent Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Report of the Directors that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

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CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2009

The directors of the company support high standards of corporate governance as set out in the Combined Code. They apply these standards to the Group in the way that they consider to be most appropriate to its size and stage of development. As the company's shares are traded on AIM, it is not required to comply with all of the provisions of the Code.

THE BOARD AND COMMITTEES

The board is made up of four directors, two of whom are executive (S A King and N C Coote) and two of whom are independent non-executive (M J L Miller and G N Webb MBE). The board has a list of matters that it does not delegate and a schedule of annual agenda items. There is an audit committee and a remuneration committee. There is no separate nominations committee and the board as a whole deals with any matters that would normally be within the remit of such a committee. For example, the board reviews succession planning at senior levels within the Group at least annually.

During the year the directors have considered the changes being introduced by the Companies Act 2006, particularly in the area of possible conflicts of interest. The directors have all disclosed their other interests at a board meeting and determined that there are currently no actual or potential conflicts of interest between these and the interests of the company. Such disclosure and monitoring will be ongoing, as required by the new law.

A Group employee handbook has been produced and is being adopted by all of the trading subsidiaries.

The audit committee comprises Mr. Miller (Chairman) and Mr. Webb. It has written terms of reference. During the year it has considered internal controls and risk management issues which are relevant to the Group, focusing on risks in the current economic downturn. As a result the reporting of outstanding debtors has been enhanced and procedures for dealing with late payments have been strengthened. Cash flow monitoring and reporting has also increased. 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 Group are appropriate to the business.

There is an annual audit planning meeting between the external auditors and the committee chairman as well as a formal meeting with the auditors and the committee at the time of the final results. The audit committee has considered the need for the Group to have an internal audit function and to date does not consider this to be necessary.

The remuneration committee comprises Mr. Webb (Chairman) and Mr. Miller. The committee has written terms of reference and considers all aspects of the remuneration of the executive directors and other senior executives. As in prior years any payments to senior executives under the Group bonus plan are approved by the committee.

Copies of the committees' terms of reference and of the schedule of matters reserved for the board are available on request. The committees meet twice each year and the board at least five times a year. During the year there was full attendance at all board and committee meetings.

DIRECTORS' REMUNERATION

The remuneration of the executive directors was as follows:

	Salary	Year ended 31.3.09 Bonus	Benefits	Total	Year ended 31.3.08 Total
S A King	£82,731	£11,516	£1,100	£95,347	£79,792
N C Coote	£64,141	£11,516	£6,605	£82,262	£65,079

Pension contributions of £6,480 were made in respect of the directors during the year ended 31 March 2009 (2008: £6,480).

The fees of the non-executive directors were as follows:

	Year ended 31.3.09	Year ended 31.3.08
M J L Miller	£12,000	£11,667
G N Webb	£18,000	£18,000

RELATIONS WITH INVESTORS

S A King is the principal contact between PHSC plc and its investors, with whom he maintains a regular dialogue. The views of investors are communicated to the whole board.

PHSC plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

for the year ended 31 March 2009

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of PHSC Plc for the year ended 31 March 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Statement of Changes in Equity, the Group Cash Flow Statement, the accounting policies and the related notes I and 1 to 27. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's 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 shareholders 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 Group Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company Financial Statements in accordance with applicable law and UK Accounting Standards (UK 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 whether the Financial Statements have been 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 Group Chief Executive's Review 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 Audit 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 judgments 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 also evaluated the overall adequacy of the presentation of information in the Financial Statements.

PHSC plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

for the year ended 31 March 2009

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985;
- the Parent Company Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2009;
- the Parent Company 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.

Littlejohn LLP

Chartered Accountants and Registered Auditors

1 Westferry Circus

Canary Wharf

London E14 4HD

11 August 2009

PHSC plc

GROUP BALANCE SHEET

as at 31 March 2009

	Note	31.3.09 £	31.3.08 (as restated) £
Non-Current Assets			
Property, plant and equipment	4	846,625	807,343
Goodwill	5	2,734,442	2,585,197
		<u>3,581,067</u>	<u>3,392,540</u>
Current Assets			
Inventories	8	400	2,400
Trade and other receivables	7	1,507,425	1,286,046
Cash and cash equivalents	9	843,079	1,303,536
		<u>2,350,904</u>	<u>2,591,982</u>
Total Assets		5,931,971	5,984,522
Current Liabilities			
Trade and other payables	11	670,960	550,606
Financial liabilities	12	8,443	4,580
Current corporation tax payable		31,246	237,834
Short term provisions	13	75,000	80,000
		<u>785,649</u>	<u>873,020</u>
Non-Current Liabilities			
Trade and other payables	11	2,134	-
Financial liabilities	12	75,422	85,381
Long term provisions	13	-	50,000
Deferred tax liabilities	14	73,652	82,603
		<u>151,208</u>	<u>217,984</u>
Total Liabilities		936,857	1,091,004
Net Assets		4,995,114	4,893,518
Capital and Reserves attributable to Equity holders of the Group			
Called up share capital	10	1,107,601	1,152,101
Share premium account	10	1,487,873	1,487,873
Revaluation reserve		197,376	200,269
Capital redemption reserve		63,628	19,128
Retained earnings		2,138,636	2,034,147
		<u>4,995,114</u>	<u>4,893,518</u>

The Financial Statements were approved and authorised for issue by the board of directors on 11 August 2009, and were signed on its behalf by:

S A King *Director*

Accounting Policies and Notes on pages 22 to 41 form part of these Financial Statements

PHSC plc

COMPANY BALANCE SHEET

as at 31 March 2009

	Note	31.3.09 £	31.3.08 £
Fixed assets			
Intangible assets	5	43,691	38,378
Tangible assets	4	212,757	147,826
Investments	6	3,667,479	3,365,580
		<u>3,923,927</u>	<u>3,551,784</u>
Current Assets			
Debtors	7	127,155	100,556
Cash at bank	9	454,559	671
		<u>581,714</u>	<u>101,227</u>
Creditors			
Amounts falling due within one year	11	153,982	487,369
Net current assets/(liabilities)			
		427,732	(386,142)
Creditors			
Amounts falling due after more than one year	12	75,422	135,381
		<u>4,276,237</u>	<u>3,030,261</u>
Capital and Reserves			
Called up share capital	10	1,107,601	1,152,101
Share premium account	10	1,487,873	1,487,873
Capital redemption reserve		63,628	19,128
Profit and loss account		1,617,135	371,159
Shareholders Funds			
	27	<u>4,276,237</u>	<u>3,030,261</u>

The Financial Statements were approved and authorised for issue by the board of directors on 11 August 2009, and were signed on its behalf by:

S A King *Director*

Accounting Policies and Notes on pages 22 to 41 form part of these Financial Statements

PHSC plc

GROUP INCOME STATEMENT

for the year ended 31 March 2009

	Note	31.3.09 £	31.3.08 (as restated) £
Continuing operations:			
Revenue		5,022,255	5,078,074
Cost of sales	16	<u>(2,731,724)</u>	<u>(2,721,277)</u>
Gross profit		2,290,531	2,356,797
Administrative expenses	16	<u>(1,844,628)</u>	<u>(1,637,174)</u>
Other income	15	<u>1,664</u>	<u>750</u>
Operating profit		447,567	720,373
Finance income	19	31,920	56,559
Finance costs	19	<u>(7,742)</u>	<u>(20,182)</u>
Profit before taxation		471,745	756,750
Corporation tax expense	20	<u>(145,853)</u>	<u>(235,588)</u>
Profit for the Financial Year on Continuing Operations		<u>325,892</u>	<u>521,162</u>
Profit for the Financial Year		<u>325,892</u>	<u>521,162</u>
Attributable to:			
Equity holders of the Group		<u>325,892</u>	<u>521,162</u>
Earnings per Share for Profit from Continuing Operations attributable to the Equity Holders of the Group during the year			
Basic	21	2.89p	4.48p
Diluted	21	2.85p	4.42p

The company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company profit and loss account. The profit before dividends and share buy back for the parent company for the year was £272 (2008: £1,302).

Accounting Policies and Notes on pages 22 to 41 form part of these Financial Statements

PHSC plc

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2009

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
Balance at 1 April 2007	1,165,729	1,487,873	5,500	203,162	1,659,486	4,521,750
Profit for year attributable to equity holders	-	-	-	-	521,162	521,162
Dividends	-	-	-	-	(93,258)	(93,258)
Purchase of own shares	(13,628)	-	13,628	-	(56,136)	(56,136)
Depreciation on revalued assets	-	-	-	(2,893)	2,893	-
Balance at 31 March 2008	<u>1,152,101</u>	<u>1,487,873</u>	<u>19,128</u>	<u>200,269</u>	<u>2,034,147</u>	<u>4,893,518</u>
Balance at 1 April 2008	1,152,101	1,487,873	19,128	200,269	2,034,147	4,893,518
Profit for year attributable to equity holders	-	-	-	-	325,892	325,892
Dividends	-	-	-	-	(97,334)	(97,334)
Purchase of own shares	(44,500)	-	44,500	-	(126,962)	(126,962)
Depreciation on revalued assets	-	-	-	(2,893)	2,893	-
Balance at 31 March 2009	<u>1,107,601</u>	<u>1,487,873</u>	<u>63,628</u>	<u>197,376</u>	<u>2,138,636</u>	<u>4,995,114</u>

Accounting Policies and Notes on pages 22 to 41 form part of these Financial Statements

PHSC plc

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2009

	Note	31.3.09 £	31.3.08 (as restated) £
Cash flows from operating activities			
Cash generated from operations	I	422,221	897,170
Interest paid		(7,742)	(20,182)
Tax paid		(357,969)	(245,081)
Net cash generated from operating activities		56,510	631,907
Cash flows from investing activities			
Purchase of property, plant and equipment		(89,344)	(42,352)
Purchase of subsidiary companies (net of cash acquired)		(229,151)	(381,647)
Interest received		31,920	56,559
Net cash used in investing activities		(286,575)	(367,440)
Cash flows from financing activities			
Repayment of borrowings		(6,096)	(280,525)
Dividends paid to Group shareholders		(97,334)	(93,258)
Purchase of own shares		(126,962)	(56,136)
Net cash used by financing activities		(230,392)	(429,919)
Net decrease in cash and cash equivalents		(460,457)	(165,452)
Cash and cash equivalents at beginning of year		1,303,536	1,468,988
Cash and cash equivalents at end of year		843,079	1,303,536

NOTES TO THE GROUP CASH FLOW STATEMENT

for the year ended 31 March 2009

	31.3.09 £	31.3.08 (as restated) £
I. CASH GENERATED FROM OPERATIONS		
Operating profit - continuing operations	447,567	720,373
Depreciation and amortisation charge	84,204	54,169
Loss on sale of fixed assets	968	-
Decrease in stock	2,000	-
(Increase)/decrease in debtors	(92,898)	136,114
Decrease in creditors	(19,620)	(13,486)
Cash generated from operations	422,221	897,170

PHSC plc

ACCOUNTING POLICIES

for the year ended 31 March 2009

General information

PHSC plc is a company listed on the AIM market and incorporated in the UK under the Companies Act 1985. The address of the registered office is given at the front of this report. The nature of the Group's operations and its principal activities are set out in The Report of the Directors on page 5. The Financial Statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates.

Basis of preparation of Financial Statements

The Group's Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, International Financial Reporting Intermediate Committee (IFRIC) interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 2.

Summary of Significant Group Accounting Policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Standards and Interpretations in Issue but not yet Effective or not yet Relevant

IFRIC 13 "Customer Loyalty Programmes" addresses accounting by entities that grant loyalty award credits to customers who buy goods or services. This interpretation is effective for accounting periods starting on or after 1 July 2008 but it is not expected to have any impact on the Group's results or equity.

IFRIC 15 "Agreements for the construction of Real Estates". This standardises accounting practice across jurisdictions for the recognition of revenue by real estate developers for sales of units, such as apartments or houses, 'off plan' - that is, before construction is complete. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively. The interpretation is not expected to have an impact on the Group's results.

IFRIC 16 "Hedges of a net investment in a foreign operation". IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. An entity may choose to apply IFRIC 16 retrospectively or prospectively. The interpretation is not expected to have an impact on the Group's results.

IFRIC 17 "Distributions of Non-cash Assets to Owners" applies to the entity making the distribution, not to the recipient. It applies when non-cash assets are distributed to owners or when the owner is given a choice of taking cash in lieu of the non-cash assets. IFRIC 17 applies to pro rata distributions of non-cash assets (all owners are treated equally) but does not apply to common control transactions. IFRIC 17 is effective for annual periods beginning on or after 1 July 2009 but is not expected to have any impact on the Group's results.

IFRIC 18 "Transfer of assets to customers". The IFRIC clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). IFRIC 18 is particularly relevant for entities in the utility sector, but it applies to all entities that prepare IFRS financial statements. This interpretation is effective for transfers of assets from customers received on or after 1 July 2009, but is not expected to have any impact on the Group's results.

PHSC plc

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2009

Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2009.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The acquisition of subsidiaries has been accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on purchases prior to 1 April 2006 was capitalised and amortised over its useful economic life.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the Financial Statements of subsidiaries have been adjusted where necessary to ensure consistency with the Accounting Policies adopted by the Group.

Segmental Reporting (IAS 14)

Segmental reporting has not been applied as the Group does not supply its services into business or geographical segments which are subject to significantly different risks and returns.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or fair value, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Property, plant and equipment held at fair value are subject to a valuation carried out by an independent external valuer at least every five years.

At the date of transition to IFRS, the carrying value of land and freehold buildings that had previously been revalued is shown as deemed cost, and not subsequently revalued.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement in the period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other reserves in shareholders' equity. Decreases that offset previous increases on the same asset are charged against other reserves directly in equity. All other decreases are charged to the Income Statement. Each year, the difference between depreciation based on the revalued carrying amount and depreciation based on original cost is transferred from other reserves to retained earnings.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

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

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

PHSC plc

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2009

An asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the Income Statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Operating Lease Commitments

An operating lease is one in which a significant portion of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Intangible Assets

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. Such goodwill is capitalised as an intangible asset is stated at cost less accumulated amortisation and impairment losses.

Impairment of Intangible Assets and Property, Plant and Equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose, and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use, are tested for impairment at least annually. All intangible assets and property, plant and equipment with a finite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment losses are charged to administrative expenses.

Inventories

Inventories are stated at the lower of cost and net realisable value, calculated on purchase cost on a first-in, first-out basis.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

Discontinued Operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that has either been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

PHSC plc

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2009

- is a subsidiary acquired exclusively with a view to resale.

Where relevant the results of discontinued operations are shown separately from continuing operations.

Financial Instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited/charged to the Income Statement in the period to which it relates.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised at initially fair value and subsequently measured at amortised cost.

Financial Liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are measured initially at fair value, with all transaction costs being recognised immediately in the Income Statement. All other financial liabilities are measured initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are measured after initial recognition at fair value, with changes in fair value being taken to the Income Statement in the period in which they occur. All other financial liabilities are recorded at amortised cost, using the effective interest method, with interest-related charges being recognised as an expense under finance costs in the Income Statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Income Statement on an accruals basis, using the effective interest method, and are added to the carrying amount of the instrument, to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, is cancelled, or expires.

Taxation

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their tax bases, except when, at the initial recognition of the asset or liability, there is no effect on accounting or taxable profit or loss. Deferred tax is determined using tax rates and laws that have been substantially enacted by the Balance Sheet date, and that are expected to apply when the temporary difference reverses.

Tax losses available to be carried forward, and other tax credits to the Group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land), in which case the related deferred tax is also charged or credited directly to equity.

Provisions

These are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

PHSC plc

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2009

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Employee Benefits

The Group supports various personal pension arrangements. The Group also operates a defined contribution pension scheme. This is a scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in current and prior years. Agreed contributions are charged to the Income Statement as they become payable.

Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable by the Group for services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts. Revenue is recognised in line with contract activity and reflects the accrual to consideration as the contract activity progresses.

Research and Development

Research expenditure is recognised as an expense as incurred.

Dividend Distribution

Dividend distributions payable to equity shareholders are included in "trade and other payables" when the dividends are approved in general meeting.

Restatement of Balance Sheet as at 31 March 2008

Unbilled work at the year end is reflected at sales value in turnover and in accrued income within debtors. In the accounts for the year ended 31 March 2008, the unbilled work was shown in work-in-progress and cost of sales. To ensure that the figures are comparable, the comparative figures in this year's accounts have been restated. There is no effect on the result for the year.

Summary of Significant Company Accounting Policies

The Financial Statements of PHSC plc (the company) have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Goodwill

Goodwill in the company Financial Statements represents the amount paid in connection with the acquisition of a business and is being amortised evenly over 20 years.

Investments

Investments in subsidiary undertakings are stated at cost less amounts provided for any impairment in value. An impairment review is carried out at the end of the first year in which the acquisition took place and as a minimum every three years thereafter. Where the consideration for the acquisition of shares in a subsidiary undertaking is satisfied by the issue of equity shares and the provisions of Section 131 of the Companies Act 1985 apply, cost is taken as the nominal value of the shares issued together with the fair value of any other consideration given.

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. 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.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

1. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the board who evaluate and manage financial risks in close co-operation with the managing directors of the subsidiary companies. The Group:

- has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the companies by monitoring levels of debt finance and the related finance costs;
- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts; and
- actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient funds for continuing operations and planned expansions.

Market Risk

The Group has both interest-bearing assets and liabilities which are subject to a variable rate of interest. Thus the Group is only exposed to fair value interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

Liquidity Risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient available funds for operations and planned expansions. The board monitors the Group's liquidity position on the basis of expected cash flow on a regular basis.

The following table analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings, based on the remaining period to maturity at the Balance Sheet date. The amounts disclosed are the contractual undiscounted cash flows:

	Less than 1 year £	Between 1 & 2 yrs £	Between 2 & 5 yrs £	Over 5 yrs £
At 31 March 2009				
Borrowings	8,443	8,600	26,519	40,303
Trade and other payables	670,960	2,134	-	-
At 31 March 2008				
Borrowings	4,580	5,180	17,340	62,861
Trade and other payables	550,606	-	-	-

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimate that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is the impairment of goodwill. The Group conducts annual impairment tests of goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of estimates. If the directors reduced their estimated recoverable amounts by 10%, the Group would have to recognise additional impairment of goodwill of £45,892.

Critical Judgements in applying the Entity's Accounting Policies

Income as at 31 March 2009 has been valued in accordance with UITF40 (Revenue Recognition and Service Contracts). Revenue has been recognised in line with contract activity and reflects the accrual to consideration as the contract activity progresses.

3. AUDITORS' REMUNERATION

	31.3.09 £	31.3.08 £
Fees payable to the company's auditor for the audit of the annual Parent Company and consolidated accounts	6,045	10,217
Fees payable to the company's auditor for other services provided to the company and its subsidiaries:		
The audit of the company's subsidiaries under legislative requirements	14,100	10,660
Other services under legislative requirements	–	4,200
Tax services	6,750	8,350
	<u>26,895</u>	<u>33,427</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

4. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Fixtures and Equipment £	Motor Vehicles £	Totals £
GROUP					
COST OR VALUATION					
At 1 April 2007	712,000	18,830	230,247	47,399	1,008,476
Additions	-	-	21,077	21,275	42,352
Acquisition of subsidiary	-	-	1,644	-	1,644
At 31 March 2008	712,000	18,830	252,968	68,674	1,052,472
Additions	74,500	-	14,845	-	89,345
Disposals	-	-	(13,868)	-	(13,868)
Acquisition of subsidiary	-	-	2,080	-	2,080
At 31 March 2009	786,500	18,830	256,025	68,674	1,130,029
DEPRECIATION					
At 1 April 2007	23,052	2,485	132,058	33,365	190,960
Charge for the year	14,240	1,883	29,663	8,383	54,169
At 31 March 2008	37,292	4,368	161,721	41,748	245,129
Charge for the year	15,730	1,883	26,832	6,730	51,175
Disposals	-	-	(12,900)	-	(12,900)
At 31 March 2009	53,022	6,251	175,653	48,478	283,404
NET BOOK VALUE					
At 31 March 2009	733,478	12,579	80,372	20,196	846,625
At 31 March 2008	674,708	14,462	91,247	26,926	807,343
At 1 April 2007	688,948	16,345	98,189	14,034	817,516

The freehold properties were last valued as follows:

31 Rochester Road, Aylesford, Kent	open market basis	19 May 2009	S&R Surveyors Limited
49 Lampits Hill, Corringham, Essex	open market basis	17 May 2005	Messrs. Porter Glenny Chartered Surveyors

Depreciation expenses of £51,175 (2008: £54,169) are included in administrative expenses in the Income Statement.

No tangible fixed assets are subject to a finance lease.

Lease rentals amounting to £171,203 (2008: £148,834), relating to the lease of buildings and motor vehicles are included in the Income Statement.

If land and buildings were stated on the historical cost basis, the amounts would be:

	31.3.09	31.3.08
	£	£
Cost	464,209	464,209

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2009

4. TANGIBLE FIXED ASSETS – continued

	Freehold property £	Improvements to property £	Motor Vehicles £	Totals £
COMPANY				
COST OR VALUATION				
At 1 April 2007	122,000	15,396	-	137,396
Additions	-	-	21,275	21,275
At 31 March 2008	122,000	15,396	21,275	158,671
Additions	74,500	-	-	74,500
At 31 March 2009	196,500	15,396	21,275	233,171
DEPRECIATION				
At 1 April 2007	1,220	770	-	1,990
Charge for the year	2,440	1,540	4,875	8,855
At 31 March 2008	3,660	2,310	4,875	10,845
Charge for the year	3,930	1,539	4,100	9,569
At 31 March 2009	7,590	3,849	8,975	20,414
NET BOOK VALUE				
At 31 March 2009	188,910	11,547	12,300	212,757
At 31 March 2008	118,340	13,086	16,400	147,826

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2009

5. INTANGIBLE FIXED ASSETS

	Goodwill £
<hr/>	
GROUP	
COST	
At 1 April 2007	2,478,146
Additions	344,675
	<hr/>
At 31 March 2008	2,822,821
Additions	213,000
Revisions to deferred consideration	(30,728)
	<hr/>
At 31 March 2009	3,005,093
AMORTISATION	
At 1 April 2007 and 2008	237,624
Impairment	33,027
	<hr/>
At 31 March 2009	270,651
NET BOOK VALUE	
At 31 March 2009	2,734,442
	<hr/>
At 31 March 2008	2,585,197
	<hr/>
At 1 April 2007	2,240,522
	<hr/>
	Goodwill
	£
<hr/>	
COMPANY	
COST	
At 1 April 2007	45,739
Additions	-
	<hr/>
At 31 March 2008	45,739
Additions	8,000
	<hr/>
At 31 March 2009	53,739
AMORTISATION	
At 1 April 2007	5,047
Charge for the year	2,287
	<hr/>
At 31 March 2008	7,361
Charge for the year	2,687
	<hr/>
At 31 March 2009	10,048
NET BOOK VALUE	
At 31 March 2009	43,691
	<hr/>
At 31 March 2008	38,378
	<hr/>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

5. INTANGIBLE FIXED ASSETS – continued

Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs), identified according to subsidiary.

The following table shows a summary of the goodwill allocation by subsidiary:

	31.3.09 £	31.3.08 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	594,952	594,952
RSA Environmental Health Limited	342,948	375,975
Adamson's Laboratory Services Limited	1,221,321	1,221,724
Envex Company Limited	12,806	43,131
In House The Hygiene Management Company Limited	300,000	300,000
Inspection Services (UK) Limited	205,000	-
	<u>2,677,027</u>	<u>2,535,782</u>
At Company level	57,415	49,415
Total goodwill for Group	<u>2,734,442</u>	<u>2,585,197</u>

In the current economic climate, when determining the purchase price to offer for target companies, a figure equal to the projected net profit of the company over the next six years is, in the opinion of the directors, a suitable guide. For this reason, the directors deem this a suitable yardstick to apply when considering any impairment of the purchased goodwill within the consolidated accounts. This period also allows the benefits of being part of the PHSC plc Group to be recognised, via referrals of new business from existing customers of other subsidiaries; availability of cash resources within the Group; access to a larger pool of training staff and consultants and involvement in the Group marketing strategy.

RSA has found trading in the current economic conditions particularly challenging and a pre tax and management charge loss of £29,000 was made in the year ended 31 March 2009. The loss particularly reflects the reduction in income from Local Authority placements and the investment made in a permanent recruitment division coincided with the economic downturn and was ceased after 7 months. Over the last six months measures have been taken to reduce costs and shortly before the year end a significant ASA contract was won. Taking into account these positive and negative factors, the directors consider it prudent to reflect an impairment in RSA's goodwill, reducing the investment value by £33,027 to a level which should meet the six year earning horizon outlined above. A further reduction in RSA's goodwill may be required as at 31 March 2010 if trading expectations are not met.

Goodwill in respect of Envex has decreased by £30,000. As at 31 March 2008 allowance was made for a potential payment of this amount relating to excess profits. The criteria for this payment were not met on the second anniversary of the date of acquisition and the provision was released as at 31 March 2009.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares in Group Undertakings

	31.3.09	31.3.08
	£	£
COMPANY		
At 1 April	3,365,580	2,903,273
Additions	301,899	462,307
At 31 March	<u>3,667,479</u>	<u>3,365,580</u>

Investments in Group undertakings are stated at cost and include the following subsidiaries:

Name of Company	Country of registration	Proportion of voting rights held	Nature of business
Personnel Health & Safety Consultants Limited	England	100%	Health and safety
Personnel Health & Safety Consultants (Southern) Limited	England	100%	Dormant
Personnel Health & Safety Consultants (Northern) Limited	England	100%	Dormant
Personnel Health & Safety Consultants (Midlands) Limited	England	100%	Dormant
CounterClaim UK Limited	England	100%	Dormant
RSA Environmental Health Limited	England	100%	Health and safety
Adamson's Laboratory Services Limited	England	100%	Health and safety
Envex Company Limited	England	100%	Health and safety
In House The Hygiene Management Company Limited	England	100%	Health and safety
Inspection Services (UK) Limited	England	100%	Health and safety

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.3.09	31.3.08 (as restated)	31.3.09	31.3.08
	£	£	£	£
Trade receivables	1,207,938	993,927	126,220	-
Less provision for impairment of trade receivables	(2,092)	(6,990)	-	-
Trade receivables - net	<u>1,205,846</u>	<u>986,937</u>	<u>126,220</u>	-
Other debtors, prepayments and accrued income	301,579	299,109	935	1,953
Loans to related parties - current portion	-	-	-	98,603
Total	<u>1,507,425</u>	<u>1,286,046</u>	<u>127,155</u>	<u>100,556</u>

There are no non-current receivables and no adjustment is required to result in a fair value.

At 31 March 2009, trade receivables of £2,092 (2008: £6,990) were impaired. An amount of £1,287 relates to a customer who has since gone into administration. The balance relates to a customer who is proving difficult to trace.

The ageing of receivables over the Group's normal credit term is:

	Group		Company	
	31.3.09	31.3.08	31.3.09	31.3.08
	£	£	£	£
Up to 3 months	348,012	299,687	-	-
3-6 months	123,647	79,723	-	-
Over 6 months	28,096	24,154	-	-
	<u>499,755</u>	<u>403,564</u>	<u>-</u>	<u>-</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

7. TRADE AND OTHER RECEIVABLES – continued

Movements on the Group provision for impairment of trade receivables are as follows:

	Group		Company	
	31.3.09 £	31.3.08 £	31.3.09 £	31.3.08 £
At 1 April	6,990	7,450	–	–
Provision for receivables impairment	4,862	3,382	–	–
Receivables written off during the year as uncollectible	(9,760)	(3,842)	–	–
At 31 March	<u>2,092</u>	<u>6,990</u>	<u>–</u>	<u>–</u>

The creation and release of the provision for impaired receivables is included in administrative expenses in the Income Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the year-end is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

8. INVENTORIES

	Group		Company	
	31.3.09 £	31.3.08 (as restated) £	31.3.09 £	31.3.08 £
Stocks	<u>400</u>	<u>2,400</u>	<u>–</u>	<u>–</u>

Unbilled work as at 31 March 2009 is reflected at sales value in turnover and accrued income within debtors. As at 31 March 2008 unbilled work of £260,403 was included in inventories and offset against cost of sales.

9. CASH AND CASH EQUIVALENTS

The cash balance for the purposes of the cash flow statement were as follows:

	Group		Company	
	31.3.09 £	31.3.08 £	31.3.09 £	31.3.08 £
Cash at bank and in hand	<u>843,079</u>	<u>1,303,536</u>	<u>454,559</u>	<u>671</u>

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc (see note 12).

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

10. CALLED UP SHARE CAPITAL

GROUP AND COMPANY

	31.3.09	31.3.08
	£	£

Authorised

15,000,000 ordinary shares of 10p each	<u>1,500,000</u>	<u>1,500,000</u>
--	------------------	------------------

	Number of shares	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 2007	11,657,296	1,165,729	1,487,873	2,653,602
Share buy backs	(136,277)	(13,628)	-	(13,628)
At 31 March 2008	11,521,019	1,152,101	1,487,873	2,639,974
Share buy backs	(445,000)	(44,500)	-	(44,500)
At 31 March 2009	<u>11,076,019</u>	<u>1,107,601</u>	<u>1,487,873</u>	<u>2,595,474</u>

Warrants

The Company has issued a total of 163,373 warrants to acquire shares in PHSC plc;

13 December 2004 - 85,227 warrants

22 March 2005 - 20,454 warrants

4 July 2005 - 57,692 warrants

All of the warrants are exercisable at 44p for a period of five years from the date of grant.

11. TRADE AND OTHER PAYABLES

	Group		Company	
	31.3.09	31.3.08	31.3.09	31.3.08
	£	£	£	£
Non-current				
Accrued expenses	<u>2,134</u>	-	-	-
Current				
Bank loans	-	-	8,443	4,580
Trade payables	114,459	110,229	4,393	21,726
Amounts due to related parties	-	-	773	327,886
Social security and other taxes	239,667	263,725	30,972	25,993
Other creditors (see note 13)	-	-	75,000	80,000
Accrued expenses	316,834	176,652	34,401	27,184
Total	<u>670,960</u>	<u>550,606</u>	<u>153,982</u>	<u>487,369</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

12. BORROWINGS

	Group		Company	
	31.3.09 £	31.3.08 £	31.3.09 £	31.3.08 £
Non-Current				
Bank loans	75,422	85,381	75,422	85,381
Provisions (see note 13)	-	-	-	50,000
Current				
Bank loans	8,443	4,580	-	-
	<u>83,865</u>	<u>89,961</u>	<u>75,422</u>	<u>135,381</u>

A £95,000 loan taken out in October 2006 is being repaid over 15 years, expiring in September 2022. The loan bears interest at 2.10% over the bank's base rate and is secured by a legal charge over the freehold property, Unit 6 Blotts Barn, Raunds, Northamptonshire. Since the year end, the loan has been reduced by a lump sum repayment of £40,000.

There is a debenture including a fixed and first floating charge over all the assets of the company dated 9 June 2005.

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. On 19 March 2009 it was extended to include Inspection Services (UK) Limited. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance across the current accounts. The company's balance as at 31 March 2009 was £454,559 within the Group's cash at bank and in hand figure of £843,079. The facility is due to be reviewed in July 2009.

There is a guarantee dated 21 November 2007 in favour of D Shun Wah for £50,000 (2008 - £90,000) expiring on the second anniversary of the acquisition of In House.

13. PROVISIONS

GROUP AND COMPANY

	Current £	Non-current £	Total £
At 1 April 2007	144,510	-	144,510
Paid in year	(144,510)	-	(144,510)
Deferred consideration on acquisitions (*)	50,000	50,000	100,000
Increase in consideration on past acquisition (**)	30,000	-	30,000
At 31 March 2008	80,000	50,000	130,000
Paid in year	(50,000)	-	(50,000)
Decrease in consideration on past acquisitions (**)	(30,000)	-	(30,000)
Deferred consideration on acquisitions (***)	25,000	-	25,000
Change from non-current to current	50,000	(50,000)	-
At 31 March 2009	<u>75,000</u>	<u>-</u>	<u>75,000</u>

* Provision for consideration payable in respect of the acquisition of In House together with an additional payment equal to 50% of the excess profits for the relevant period one month after the first and second anniversary of completion.

** As at 31 March 2008 allowance was made for a potential payment relating to excess profits in respect of Envex. The criteria for this payment were not met on the second anniversary of the date of acquisition and the provision was released as at 31 March 2009.

*** Consideration payable in respect of the acquisition of Inspection Services subject to achievement of pre-tax profits of not less than £60,000 in the twelve months following acquisition.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

14. DEFERRED TAX

Deferred tax liabilities

	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2007	77,740	13,222	-	90,962
Credited to income statement	(8,359)	-	-	(8,359)
At 31 March 2008	69,381	13,222	-	82,603
Credited to income statement	-	(4,811)	(4,140)	(8,951)
At 31 March 2009	69,381	8,411	(4,140)	73,652

Deferred tax has been provided on the revalued fixed assets at 28% (2008: 28%). At present it is not envisaged that any tax will become payable in the foreseeable future.

15. OTHER INCOME

	31.3.09 £	31.3.08 £
HMRC on line filing bonus	1,000	750
Miscellaneous income	664	-
	<u>1,664</u>	<u>750</u>

16. EXPENSES BY NATURE

GROUP

	31.3.09 £	31.3.08 £
Cost of sales	956,571	1,054,829
Staff related costs	2,572,369	2,336,426
Premises costs	65,534	60,860
Professional fees	118,859	112,198
Other expenses	863,019	794,138
Total cost of sales and administrative expenses	<u>4,576,352</u>	<u>4,358,451</u>

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.09 £	31.3.08 £
Wages and salaries	2,298,261	2,087,733
Social security costs	238,453	215,750
Other pension costs	35,655	32,943
	<u>2,572,369</u>	<u>2,336,426</u>

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

	31.3.09	31.3.08
Directors	7	7
Consultants	50	49
Administrative	17	16
Total	<u>74</u>	<u>72</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.09 £	31.3.08 £
Emoluments	207,609	174,538
Pension contributions to money purchase schemes	6,480	6,480
	<u>214,089</u>	<u>181,018</u>

19. FINANCE INCOME AND COSTS

	31.3.09 £	31.3.08 £
Interest expense		
Bank loan interest	(4,786)	(20,182)
Other interest	(2,956)	-
	<u>(7,742)</u>	<u>(20,182)</u>
Finance income		
Bank interest received	31,920	56,559
Net finance income	<u>24,178</u>	<u>36,377</u>

20. TAXATION

Analysis of tax charge in year

	31.3.09 £	31.3.08 £
Current tax:		
UK corporation tax on profits of the year	151,756	234,550
Adjustments in respect of previous year	3,048	9,397
Total current tax	<u>154,804</u>	<u>243,947</u>
Deferred tax on origination and reversal of timing differences (provided at 28%)	(8,951)	(8,359)
Taxation	<u>145,853</u>	<u>235,588</u>

Factors affecting tax charge for year

The tax assessed for the year is higher (2008: higher) than the standard rate of corporation tax in the UK of 28% (2008: 30%).

The differences are explained below:

	31.3.09 £	31.3.08 £
Profit on ordinary activities before tax	<u>471,745</u>	<u>756,750</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 30%)	132,089	227,025
Effects of:		
Consolidation adjustments not subject to tax	10,350	-
Depreciation in excess of capital allowances claimed	4,863	5,731
Disallowed expenses and adjustments	9,737	7,008
Profits taxable at lower rate	(5,283)	(5,214)
Adjustments in respect of prior periods	3,048	9,397
Deferred tax credit	(8,951)	(8,359)
Current tax charge	<u>145,853</u>	<u>235,588</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

21. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	31.3.09	31.3.08
Profit attributable to equity holders of the Group (£)	325,892	521,162
Weighted average number of ordinary shares in issue	11,277,224	11,626,677
Basic earnings per share (pence per share)	2.89p	4.48p

Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	31.3.09	31.3.08
Profit attributable to equity holders of the Group (£)	325,892	521,162
Weighted average number of ordinary shares in issue (basic weighted average as above, diluted by 163,373, being the weighted average number of warrants in issue)	11,440,597	11,790,050
Diluted earnings per share (pence per share)	2.85p	4.42p

22. DIVIDENDS

The dividends paid in 2009 and 2008 were £97,334 (0.85p per share) and £93,258 (0.80p per share) respectively. A dividend in respect of the year ended 31 March 2009 of 0.85p per share, amounting to a total dividend of £94,146 is to be proposed at the annual general meeting on 9 September 2009. These Financial Statements do not reflect this dividend payable.

23. COMMITMENTS

Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The Group also leases various motor vehicles under cancellable operating lease agreements. The lease expenditure is charged to the Income Statement during the year.

The minimum lease payments to which the Group is committed under operating leases for the coming year are:

	31.03.09		31.03.08	
	Land and building £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	5,640	26,364	2,040	26,936
Between two and five years	–	98,376	5,814	79,964
Total	5,640	124,740	7,854	106,900

The Group had no capital commitments at the year end.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

24. BUSINESS COMBINATIONS

On 1 October 2008, the Group acquired 100% of the share capital of Inspection Services (UK) Limited. The acquired business contributed revenues of £128,177 and net profit of £27,408 to the Group for the period from 1 October 2008 to 31 March 2009. Details of net assets acquired and goodwill are:

	£
Purchase consideration	
- cash paid in respect of goodwill	180,000
- deferred consideration	25,000
- cash paid in respect of net assets	127,637
- net asset adjustment due from vendor	(64,593)
Total purchase consideration	<u>268,044</u>
Fair value of net assets acquired	<u>(63,044)</u>
Goodwill	<u>205,000</u>

The assets and liabilities as at 1 October 2008 arising from the acquisition were:

	Fair value £	Acquiree's carrying amount £
Cash and cash equivalents	135,748	135,748
Plant and equipment	2,080	2,080
Trade and other receivables	63,888	31,231
Trade and other payables	(138,672)	(41,422)
Net assets acquired	<u>63,044</u>	<u>127,637</u>
Purchase consideration settled in cash	307,637	307,637
Cash and cash equivalents in subsidiary acquired	(135,748)	(135,748)
Cash outflow on acquisition	<u>171,889</u>	<u>171,889</u>

25. RELATED PARTY DISCLOSURES

A management charge is levied by PHSC plc to its subsidiary companies to reflect the central services provided.

The charges were as follows:

	31.3.09 £	31.3.08 £
Adamson's Laboratory Services Limited	207,122	182,343
Envex Company Limited	9,000	6,000
In House The Hygiene Management Company Limited	12,000	4,000
Personnel Health & Safety Consultants Limited	192,000	168,000
RSA Environmental Health Limited	42,000	42,000
Total	<u>462,122</u>	<u>402,343</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2009

25. RELATED PARTY DISCLOSURES – continued

The inter-company balances between PHSC plc and its subsidiary companies at the year end are summarised below:

	31.3.09 £	31.3.08 £
<i>Trade Receivables:</i>		
Adamson's Laboratory Services Limited	52,908	-
Envex Company Limited	2,587	-
In House The Hygiene Management Company Limited	3,450	-
Personnel Health & Safety Consultants Limited	55,200	-
RSA Environmental Health Limited	12,075	-
<i>Loans to related parties:</i>		
Adamson's Laboratory Services Limited	-	98,603
<i>Amounts due to related parties:</i>		
Envex Company Limited	-	(9,200)
In House The Hygiene Management Company Limited	-	(3,416)
Personnel Health & Safety Consultants Limited	(433)	(253,607)
RSA Environmental Health Limited	(340)	(61,663)
Net amount receivable/(payable)	<u>125,447</u>	<u>(229,283)</u>

During the year RSA charged In House a consultancy fee of £24,000 in respect of services provided by RSA personnel during the year. A one-off charge was levied by ALS and PHSC of £7,867 and £22,500 respectively to Envex in respect of consultant time spent on projects billed by Envex.

26. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the UK, is the ultimate parent company of the Group. There is no ultimate controlling party, but Mr S A King, Group Chief Executive, holds 29.3% (2008: 26.8%) of the issued share capital of PHSC plc.

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.09 £	31.3.08 £
COMPANY		
Profit for the financial year	272	1,302
Dividends paid	(97,334)	(93,258)
Dividends received	1,470,000	-
Share buy backs	(126,962)	(56,136)
Net addition to shareholders' funds	<u>1,245,976</u>	<u>(148,092)</u>
Opening shareholders' funds	3,030,261	3,178,353
Closing shareholders' funds	<u>4,276,237</u>	<u>3,030,261</u>
Equity interests	<u>4,276,237</u>	<u>3,030,261</u>

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of PHSC plc will be held at 10.00am on Wednesday 9 September 2009 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 to 8 will be proposed as special resolutions.

1. To receive the annual report and audited accounts for the year ended 31 March 2009.
2. To declare a final dividend of 0.85p per share.
3. To re-elect Mr S A King as a director.
4. To reappoint Littlejohn LLP as auditors to the company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.
5. THAT
 - (a) the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 80) up to a total nominal amount of £442,390 during the period commencing on the date of the passing of this resolution and expiring on 8 September 2014, but so that the authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities under such offers or agreements; and
 - (b) all authorities previously granted under section 80 be revoked, provided that such revocation shall not have retrospective effect.
6. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 5 set out in the notice of this meeting the directors be empowered under section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94(2) of the Act) for cash; under the authority conferred by resolution 5 above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
 - (b) the allotment (otherwise than under sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £211,520.

such power to expire at the conclusion of the annual general meeting of the company in 2010 or, if earlier, on the date which is six months after the end of the company's next financial year, unless such power is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

7. THAT, the company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 1985) of ordinary shares of 10 pence each in the capital of the company ("ordinary shares") on such terms and in such manner as the directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares authorised to be purchased shall be 1,586,402;
 - (b) the minimum price which may be paid for an ordinary share is 10 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
 - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the company;
 - (e) the authority conferred by this resolution shall expire at the conclusion of the annual general meeting of the company in 2010 or, if earlier, on the date which is six months from the end of the company's next financial year, unless such authority is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; and
 - (f) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.
8. THAT with effect from 1 October 2009 the articles (contained in the document marked 'A') submitted to this meeting and, for the purposes of identification, initialled by the chairman, be approved and adopted as the articles of association of the company in substitution for and to the exclusion of all the existing articles of the company.

By order of the board

L E Young
Secretary

14 August 2009

Registered Office:
The Old Church
31 Rochester Road
Aylesford
Kent ME20 7PR

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

Notes

1. Shareholders, their duly appointed representatives or proxies are entitled to attend, speak and vote at the AGM. A shareholder can appoint the chairman of the meeting or anyone else as their proxy and their proxy need not be a member of the company. A shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different ordinary shares. To appoint more than one proxy, the proxy form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the proxy form together with the number of shares in relation to which the proxy is authorised to act. The box on the proxy form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All proxy forms must be signed and, to be effective, must be lodged with the company secretary so as to arrive not later than 10.00 am on Monday 7 September 2009.
2. The return of a completed proxy form will not prevent a shareholder attending the AGM and voting in person if they wish to do so.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the company as at 6.00 pm on 7 September 2009 or, if the meeting is adjourned, in the register of members at 6.00 pm two days before the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after those times, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any adjournment.

PHSC plc

Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Wednesday 9 September 2009

Please read carefully the notice of meeting, the accompanying notes and the explanation of the business to be transacted at the AGM (contained in the directors' report) before completing this form.

As a member of PHSC plc you have the right to attend, speak at and vote at the AGM. If you cannot or do not wish to attend the AGM but still want to vote you can appoint someone to attend the AGM and vote on your behalf. That person is known as a "proxy". You can use the proxy form to appoint the Chairman of the meeting or someone else, as your proxy. Your proxy does not have to be a member of the company.

I/We (FULL NAME IN BLOCK CAPITALS)

being a member(s) of PHSC plc, appoint the Chairman of the meeting or

..... (see Note 1) as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment (see notes 2, 3 and 4).

Please clearly mark the boxes below to instruct your proxy how to vote.

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD	AT DISCRETION
1. To receive the report and accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect S A King as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Littlejohn as auditors and to authorise the directors to settle their fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise share buy backs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To adopt new articles of association	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s) (see note 5) Date

Notes:

1. If you wish to appoint as a proxy someone other than the Chairman of the meeting, please delete the words "The Chairman of the meeting" and insert the name of the other person (who need not be a member of the company). All alterations made to the proxy form must be initialled by the signatory.
2. The completion and return of the proxy form will not prevent you from attending the AGM and voting in person should you subsequently decide to do so.
3. If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only some votes for and some against insert the relevant number of shares in the appropriate box. In the absence of instructions your proxy may vote or abstain from voting as they think fit on the specified resolutions, and, unless instructed otherwise, may also vote or abstain from voting as they think fit on any other business (including on a resolution to amend a resolution, to propose a new resolution or to adjourn the meeting) which may properly come before the meeting.
4. The "Vote Withheld" option is provided so that you can instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" or "against" a resolution. The "At Discretion" option is provided so that you can give discretion to your proxy to vote or abstain from voting on a particular resolution as they think fit.
5. The proxy form must be signed by the shareholder or their attorney. Where the shareholder is a corporation the signature must be under seal or that of a duly authorised representative. In the case of joint holders, any one may sign the form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names appear in the register of members for the joint shareholding.
6. To be valid, this proxy form and any power of attorney or other authority under which it is signed or a certified copy of such authority, must be deposited with the company Secretary, 3 Vaughan Avenue, Tonbridge, Kent TN10 4EB no later than 48 hours before the time of the AGM or any adjournment.



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Lorraine Young Company Secretarial Services
3 Vaughan Avenue
Tonbridge
TN10 4EB

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