26 November 2010

PHSC PLC
("PHSC", "the Company" or "Group")

Interim Report 2010

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT
for the six months ended 30 September 2010

Financial Highlights

- Group turnover (consolidated) for the period at £2.386m up 8% compared with £2.208m for the same period last year.
- EBITDA of £106,300, compared with £210,900 for the same period last year.
- Basic earnings per share at the interim stage are 0.61p compared with 1.08p achieved in the corresponding period last year.
- Net cash used by operating activities was £26,000 (£297,000 generated in the same period last year).
- Overall cash and cash equivalents stood at £587,000 at the end of the period compared with £710,000 at the year ended 31 March 2010. £93,400 is accounted for by dividend payments.
- Significant recent contract wins, notably for asbestos management services.
- Net asset value (unaudited) of £5.097m or 49 pence per Ordinary Share compared to a current share price (mid) of 17 pence.

Trading overview

The financial statistics above provide an ample illustration of the very difficult trading conditions that have been encountered by Group subsidiaries in the period. Turnover and profit figures for each company are given later in this statement, but it is necessary to put those into some sort of context. In addition, investors should take encouragement from a number of recent contract awards. This indicates that the second half of the year should see an improvement in Company fortunes.

Adamson's Laboratory Services Limited (ALS), which accounts for around half of Group revenues, recorded a loss of £25,000 in the first quarter of 2010. This was, in part, a result of exceptional efforts to complete a series of contracts during the previous quarter to fit in with clients' budgetary requirements. Whilst the effect was to achieve a good end to the last financial year, it left a shortfall of work-in-progress with which to start the current year. In addition, some work relating to social housing contracts undertaken in the period incurred unexpected costs associated with obtaining access to numerous residential premises. That situation has now been largely resolved, and the performance figures below show that April's loss was eliminated and ALS were back into positive territory at the interim stage. Local management are acutely aware of the need to perform, and of the significance of their contribution towards Group results.

In November 2010, ALS received confirmation from London Borough of Lewisham that it had won new business valued at a minimum of £400,000 over three years, including an order worth £62,500 for asbestos surveys in low-rise blocks. The remainder of the work involves asbestos risk assessments, annual monitoring inspections and management support. There is an option for the client to extend the term by a further two years, which would result in additional revenues of £200k over the period.

Two large contracts have been won by our Personnel Health & Safety Consultants Limited subsidiary. One involves the company being appointed as advisors to a medical services consortium and the other will see it delivering a range of around 40 different training courses to a housing provider. The total value of these two-year contracts is estimated as being £175,000 over the term.

Quality Leisure Management Limited, acquired in December 2009 and contributing for the first time in an interim period, accounted for £62,000 of profit. Most of the company's contracts come up for renewal at the end of the calendar year and early indications suggest that there will be a very high renewal rate. The company's contract with the Institute of Qualified Lifeguards generates a six-figure income each year and has been extended until the end of 2011.

Costs of running the parent company increased by around £7,400 to £223,200. The Board is looking to see where savings can be made, but recognises many of the costs relate to the AIM listing and necessary associated disciplines.

Resolution of dispute relating to Inspection Services (UK) Limited

We previously stated our belief that the net assets of Inspection Services (UK) Limited, purchased in October 2008, were overvalued by the seller. Following the commencement of legal proceedings, an out-of-court settlement was reached. The Company accepted £31,000 including a cash sum of £20,000 and forfeiture of £11,000 held to the seller's account. After legal costs the net benefit was £17,000. We have also released the provision for a profit-related payment of £25,000 to the seller as targets were not met, and each party has agreed that the matter is now concluded.

Regulatory review

In October 2010, Lord Young delivered a report entitled "Common sense - Common safety" in which he considered measures to counter the "compensation culture" and reduce the burdens associated with safety compliance on business. One recommendation amongst many was that safety consultants should be accredited, and we welcome that suggestion. Indeed, the profession has been working towards a formal scheme for some time and expects one to be in place early in 2011. This should give more status to qualified practitioners such as those employed by Group subsidiaries.

Outlook

The effect of the Public Spending Review on PHSC plc's fortunes will inevitably be a negative one in direct financial terms. There will be reductions in work that we do directly for public sector organisations, but less easy to evaluate is how our private sector clients who themselves rely upon public funding may be impacted.

Of necessity, compliance-related business must continue to be placed to a large extent. Clients will however be working to tighter budgets and will seek to squeeze suppliers' profits. In this competitive marketplace, the ability to perform effectively and efficiently is paramount.

Dividend prospects

The Board is not recommending payment of an interim dividend (same as last year), but expects to propose an appropriate final dividend at the end of the year.

A major strength is our substantial cash reserve. Despite our relatively weak start to the current year, we expect the improvements we have recently seen to carry over to the second half. Our aim is to complete the year with as strong a performance as we can. We look to our investors to continue to support us in the knowledge that we are committed to a progressive dividend policy, and in the belief that our shares are generally undervalued in the marketplace.

Net Asset Value

As at 30 September 2010, the Company had net assets of £5.097m (unaudited) as per these interim accounts. There were 10,381,973 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 49.09p. At 17 pence per share the Ordinary Shares of the Company are currently trading at approximately a 65% discount to the net asset value.

Performance by Trading Subsidiaries

Profit/loss figures for individual subsidiaries are stated before tax and inter-company charges (including the costs of operating the plc which are recovered through management charges to trading subsidiaries), interest paid, interest received, depreciation and amortisation.

Adamson's Laboratory Services Limited
Invoiced sales of £978,607 yielding a profit of £7,206 (the figures for the same period last year were £1,081,905 and £164,798).

Envex Company Limited
Invoiced sales of £85,336 yielding a profit of £27,420 for the period (the figures for the same period last year were £102,599 and £13,007).

Inspection Services (UK) Limited
Invoiced sales of £123,272 yielding a profit of £12,359 (the figures for the same period last year were £139,014 and £11,905).

Personnel Health and Safety Consultants Limited
Invoiced sales of £462,650 yielding a profit of £202,706 (the figures for the same period last year were £492,226 and £220,795).

RSA Environmental Health Limited
Invoiced sales of £367,847 yielding a profit of £16,306. This is the first period following the merger of the business activities of RSA and In-House The Hygiene Management Company Limited. In the same period last year, their combined sales of £392,887 resulted in a consolidated profit of £15,250.

Quality Leisure Management Limited
Invoiced sales of £369,239 yielding a profit of £62,104. There are no comparable figures for last year as the company was not part of the Group at that time.

Stephen King – Group Chief Executive Officer

For further information please contact:

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Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 10 Unaudited £'000	Six months ended 30 Sept 09 £'000	Year ended 31 Mar 10 £'000
Continuing operations				
Revenue		2,387	2,208	4,922
Cost of sales		1,324	1,135	2,583
Gross profit		1,063	1,073	2,339
Other income		4	1	2
Administrative expenses		(987)	(901)	(1,840)
Profit from operations		80	173	501
Finance income		1	-	-
Finance costs		-	(1)	(1)
Profit before taxation		81	172	500
Corporation tax expense		(19)	(55)	(158)
Profit after taxation and total comprehensive income from continuing operations		62	117	342
Profit after taxation and total comprehensive income		**62**	**117**	**342**
Attributable to:				
Equity holders of the Group		62	117	342
Earnings per share for profit from continuing operations attributable to the equity holders of the Group during the period	4			
Basic		0.61p	1.08p	3.21p
Diluted		0.61p	1.06p	3.16p

Group Statement of Financial Position	Note	30 Sept 10 Unaudited £'000	30 Sept 09 £'000	31 Mar 10 £'000
Non-current assets				
Property, plant and equipment	3	829	830	839
Goodwill		3,313	2,718	3,258
Deferred tax asset		5	-	5
		4,147	3,548	4,102
Current assets				
Inventories		2	2	2
Trade and other receivables		1,481	1,329	1,781
Cash and cash equivalents		587	911	710
		2,070	2,242	2,493
Total assets		**6,217**	**5,790**	**6,595**
Current liabilities				
Trade and other payables		643	619	863
Financial liabilities		-	2	-
Current corporation tax payable		47	51	174
Short term provisions		250	75	250
		940	747	1,287
Non-current liabilities				
Financial liabilities		-	37	-
Long-term provisions		100	-	100
Deferred taxation liabilities		80	74	80
		180	111	180
Total liabilities		**1,120**	**858**	**1,467**
Net assets		**5,097**	**4,932**	**5,128**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,038	1,058	1,038
Share premium account		1,497	1,488	1,497
Revaluation reserve		195	114	195
Capital redemption reserve		144	197	144
Retained earnings		2,223	2,075	2,254
		5,097	**4,932**	**5,128**

Group Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 April 2009	1,108	1,488	64	197	2,140	4,997
Profit for the period attributable to equity holders	-	-	-	-	342	342
Dividends	-	-	-	-	(90)	(90)
Issue of shares	10	9	-	-	-	19
Purchase of own shares	(80)	-	80	-	(140)	(140)
Depreciation on revalued assets	-	-	-	(2)	2	-
Balance at 31 March 2010	1,038	1,497	144	195	2,254	5,128
Balance at 1 April 2010	1,038	1,497	144	195	2,254	5,128
Profit for the period attributable to equity holders	-	-	-	-	62	62
Dividends	-	-	-	-	(93)	(93)
Balance at 30 September 2010	1,038	1,497	144	195	2,223	5,097

Consolidated cash flow statement	Six months ended 30 Sept 10 Unaudited £'000	Six months ended 30 Sept 09 £'000	Year ended 31 Mar 10 £'000
Cash flows from operating activities			
Cash generated from operations	120	333	554
Interest paid	-	(1)	(1)
Tax paid	(146)	(35)	(61)
Net cash (used by)/generated from operating activities	(26)	297	492
Cash flows used in investing activities			
Purchase of property, plant and equipment	(17)	(7)	(11)
Purchase of subsidiary companies	11	-	(320)
Disposal proceeds fixed assets	1	2	-
Interest received	1	-	-
Net cash used in investing activities	(4)	(5)	(331)
Cash flows used in financing activities			
Repayments of borrowings	-	(44)	(84)
Dividends paid to group shareholders	(93)	(90)	(90)
Shares issued	-	-	20
Purchase of own shares	-	(90)	(140)
Net cash used in financing activities	(93)	(224)	(294)
Net (decrease)/increase in cash and cash equivalents	(123)	68	(133)
Cash and cash equivalents at beginning of year	710	843	843
Cash and cash equivalents at end of year	587	911	710

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	80	173	501
Depreciation and amortisation	25	38	82
Loss on sale of fixed assets	1	-	1
Decrease in inventories	-	(2)	(2)
Decrease/(increase) in trade and other receivables	235	178	(37)
(Decrease)/increase in trade and other payables	(221)	(54)	9
Cash generated from operations	120	333	554

These interim financial statements for the period ended 30 September 2010 have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 30 September 2010.

All companies in the Group use sterling as presentational and functional currency.

The information presented within these interim financial statements is in compliance with IAS 34

"Interim Financial Reporting". The requires the use of certain accounting estimates and requires that management exercise judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the interim financial statements are disclosed below:

(a) Provisions
The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. A £100,000 liability has been provided within long term provisions relating to the payment due on the second anniversary of the acquisition of Quality Leisure Management.

(b) Impairment of goodwill
The Group Chief Executive Officer's Statement refers to the difficulty in evaluating future trading volumes and profitability in respect of each subsidiary company in the current economic climate. For this reason the Board is to defer any decision regarding the impairment of goodwill until the year end.

The financial information contained in this report, which has not been audited, does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2010, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2010 financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Notes to the financial statements

	Note:	30 Sept 10 Unaudited £'000	30 Sept 09 £'000	31 Mar 10 Audited £'000
2 Segmental Reporting				
Revenue				
PHSC plc		-	-	-
Personnel Health & Safety Consultants Ltd		463	492	979
RSA Environmental Health Limited	i	368	392	825
Adamson's Laboratory Services Ltd		979	1,082	2,455
Envex Company Ltd		85	103	190
Inspection Services Ltd		123	139	270
Quality Leisure Management Ltd	ii	369	-	203
		2,387	2,208	4,922
Profit/(loss) after taxation				
PHSC plc		-	-	9
Personnel Health & Safety Consultants Ltd		95	83	158
RSA Environmental Health Limited		6	2	21
Adamson's Laboratory Services Ltd		(89)	38	141
Envex Company Ltd		16	5	13
Inspection Services Ltd		4	5	7
Quality Leisure Management Ltd		30	-	28
		62	133	377
Less: goodwill impairment		-	(16)	(35)
		62	117	342

Total assets

PHSC plc	4,280	4,147	4,410
Personnel Health & Safety Consultants Ltd	697	872	635
RSA Environmental Health Limited	605	158	600
Adamson's Laboratory Services Ltd	1,237	1,249	1,474
Envex Company Ltd	93	68	71
Inspection Services Ltd	161	233	162
Quality Leisure Management Ltd	186	-	298
	7,259	6,727	7,650
Adjustment of goodwill	(1,042)	(1,002)	(1,120)
Net asset adjustment on purchase Inspection Services Ltd	-	65	65
	6,217	5,790	6,595

Notes:

(i) In House The Hygiene Company Ltd became a trading division of RSA Environmental Health Ltd on 1 April 2010; their analysis has been amalgamated.

(ii) Represents three months of trading as Quality Leisure Management Limited was purchased on 31 December 2009.

3	Property, plant and equipment	30 Sept 10 Unaudited £'000	30 Sept 09 £'000	31 Mar 10 Audited £'000
	Cost or valuation			
	Brought forward	1,159	1,130	1,130
	Additions	17	7	11
	Disposals	(11)	(12)	(12)
	Acquisition of subsidiary	-	-	30
	Carried forward	1,165	1,125	1,159
	Depreciation			
	Brought forward	320	283	283
	Charge	25	22	47
	Disposals	(9)	(10)	(10)
	Carried forward	336	295	320
	Net book value	829	830	839

4 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	30 Sept 10 £'000 unaudited	30 Sept 09 £'000	31 Mar 10 £'000
Continuing activities	62	117	342

Number of shares	30 Sept 10	30 Sept 09	31 Mar 10
Weighted average number of shares for the purpose of basic earnings per share	10,276,019	10,890,227	10,676,841
Effect of dilutive warrants	29,949	163,373	137,707
Weighted average number of shares for the purpose of diluted earnings per share	10,305,968	11,053,600	10,814,548