27 June 2012

PHSC PLC
(the “Company” or the “Group”)

Preliminary Announcement of Results for the year ended 31 March 2012

Highlights:

- EBITDA of £0.445m, up from £0.378m
- Group revenues at £4.434m compared with £4.874m last year
- Cash reserves rise to £0.902m
- Group net assets rise to £5.37m from £5.27
- Basic earnings per share rise to 2.91p from 2.33p
- Proposed final dividend of 2.00p comprising of ordinary dividend of 1.00p and a special dividend of 1.00p per share, as last year

GROUP CHIEF EXECUTIVE’S REVIEW

I am pleased to present my review of the Group’s performance over the year, and to give a general update to shareholders about what is happening at PHSC plc.

After discussion about the Company’s trading outcome, there is commentary about our prospects for the future, which will depend in part upon our success in developing new products and services organically and through acquisition. We must also look to extend our portfolio beyond the range of health, safety and environmental consultancy services upon which we are currently heavily reliant.

Revenue and profit

Consolidated Group sales for the period were £4,434,300, which represents a decline of around 8 per cent. from the previous year’s £4,813,800. Despite these lower revenues we delivered, through cost reductions and improved controls, an 18 per cent. increase in Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA). The final figure of £445,500 EBITDA considerably improves on the £378,400 generated in the previous year.

As has always been the case, most of the Group’s profit crystalises in the second half of the year. This is caused by higher customer demand in the last part of the fiscal year.

Costs

With a reduction in sales of £379,500 it was to be expected that we would face lower costs associated with delivering the services provided. However, we managed to reduce the combined cost of sales and overheads by around £511,100 and it was this effort rather than any improvement in margins that led to the higher profitability. Management at corporate level and across all subsidiaries is to be commended on the way in which they have addressed the difficulties caused by the general economic situation.

During the year, Envex Company Limited (Envex) vacated its rented offices and moved into the Essex premises of Adamson’s Laboratory Services Limited (ALS). On 31 March 2012 the business and assets of Envex were transferred to ALS to allow Envex to become a trading division of ALS which will lead to some additional savings.

No across-the-board pay increases were awarded in the year. The last general increase was in July 2010 when all staff below director level were awarded a 2 per cent. uplift. To help the

Group with staff retention and in recognition of inflationary pressures affecting all employees, the Remuneration Committee has been asked to approve a 2 per cent. award to take effect from July 2012. This award will extend to operational directors at subsidiary level but not to those on the main board.

Recent and Proposed Acquisitions

Quality Leisure Management Limited (QLM)
The final payment due under the share purchase agreement for QLM was made in the last quarter. The agreement provided for a sum of £100,000, adjusted according to a performance formula. For some time we expected that the payment would be lower than that provided for, but a strong end to 2011 by QLM meant that the total due was £107,000. Although higher than expected, this payment represents good value to shareholders as it was triggered by profits exceeding the baseline figure. The payment was made in cash, funded from existing resources.

Acquisition Opportunity
The Group hopes to complete an acquisition in the quality, environmental, and health and safety management systems arena which is expected to enable the Group to offer a number of new services and will also help to open up new marketplaces for the Group. The terms of the acquisition are in the process of being finalised and the Company expects to announce completion within the next month.

Other Opportunities

The Group is currently evaluating a small number of other companies that might prove useful additions to the Group. We will make any announcement if and when appropriate. Like QCS above, those targets being evaluated are one step removed from traditional health and safety consultancy services but would prove a logical addition to the Group.

We envisage that any acquisition would be funded from existing resources and would primarily be a cash-based transaction spread over two years.

We have secured trademark rights to the SafetyMARK name and logo, used in connection with a new auditing service offered via the In House division of our RSA Environmental Health Limited subsidiary. In House has developed a national safety certification and support scheme, leading to the SafetyMARK award. Once certain criteria are met, after a rigorous and detailed audit process, the recipient is awarded a SafetyMARK Certificate and can publicise this achievement. SafetyMARK has initially been launched in the education sector. Expressions of interest have already been received from around 200 schools, with several orders now in progress.

Corporate Structure

The board consists of myself, Nicola Coote (executive director), and two non-executive directors (Mike Miller, who chairs the audit committee, and Graham Webb MBE who chairs the remuneration committee). The contracts of both non-executives were recently extended until 31 March 2013. Our chartered secretary, Lorraine Young, supports the board and its committees. All corporate matters relating to accounting are ably dealt with by our Group Accountant, Candy Wilton.

In last year's Statement, I commented that the board was comfortable with the existing trading platform (AIM). I must again observe that our shares continue to trade well below asset value. Nevertheless, we presently remain committed to our AIM listing despite recognising that there are associated costs to do with maintaining this. I note that the PLUS Markets platform is scheduled to end, and therefore the prospect of a move to that marketplace is no longer a consideration. However, we will continue to review each area of corporate expenditure to ensure we feel that maintaining an AIM listing can be justified. A positive consequence of the low share price is that we have been able to offer a yield of around 10 per cent., so would appeal to investors seeking income.

Employees

I wish to thank all of the Group's employees for their support and contribution over the past year. Without their commitment and dedication we could not have been able to deliver improvements to our performance. As a board, we are grateful for the fact that we have teams of workers upon whom we can rely, and we in turn will take whatever reasonable measures we can to ensure that staff feel valued and appreciated.

Performance by Trading Subsidiaries

Profit figures below are stated before tax and Group management charges. Note that revenues for services are credited to the company generating the sale even if the work is delivered by a sister company. For that reason, reference should be made to the Group's overall performance instead of looking at how individual subsidiaries have fared.

Personnel Health and Safety Consultants Limited

Sales of £770,600, yielding a profit of £313,000.
In the previous year there were sales of £927,700 and a profit of £378,900.

RSA Environmental Health Limited

Sales of £474,300, yielding a loss of £3,300.
In the previous year there were sales of £661,600 and a profit of £16,700.

Adamson's Laboratory Services Limited

Sales of £2,121,200 yielding a profit of £302,700.
In the previous year there were sales of £2,094,600, yielding a profit of £159,800.

Envex Company Limited

Sales of £102,600, resulting in a loss of £2,100.
In the previous year there were sales of £176,900 and a profit of £53,500.

Inspection Services (UK) Limited

Sales of £242,100, yielding a profit of £13,000.
In the previous year there were sales of £246,800, yielding a profit of £18,500.

Quality Leisure Management Limited

Sales of £723,500, yielding a profit of £160,800.
In the previous year there were sales of £706,100, yielding a profit of £108,900.

Net Asset Value

As at 31 March 2012, the Company had net assets of £5.365 million. There were 10,381,973 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 51.68p. At 21.5p per share, the Ordinary Shares of the Company are currently trading at a discount of almost 60 per cent. to the net asset value.

Dividend

The Group ended the year with a strong cash balance in excess of £900,000, a 20 per cent. increase on the previous year. This was after the payment of an acquisition instalment and dividends, together resulting in an outflow of around £314,700. I indicated earlier in my report that we have one new acquisition in progress and the possibility of more to come. We must therefore be prudent when considering how much cash it is appropriate to return to shareholders by way of a dividend.

The board is proposing a final dividend of 1.0p per ordinary share and, as last year, a special additional dividend of 1.0p per ordinary share. Therefore, subject to approval at the annual general meeting, a total dividend of 2.0p per ordinary share will be paid on 21 September 2012 to shareholders on the register as at 24 August 2012.

Prospects

Changing perceptions of health and safety

Following on from Lord Young's report in October 2010, Professor Lofsted was commissioned by the Government to carry out an independent review of health and safety legislation. His report entitled "Reclaiming health and safety for all" was published in November 2011. Lofsted found that whilst there is no case for radically altering current health and safety legislation, it was necessary to address factors that drive businesses to go beyond what the regulations require.

We believe that our subsidiaries have always adopted a proportionate response, but there is now a perception that a lighter touch may be adopted by enforcing authorities. This could lead to a reduction in demand for advisory services, although that may prove shortsighted given the proposed "fee for intervention" scheme. That involves the Health and Safety Executive levying charges of £124 per hour for the time they spend attending to employers who fail to adequately address their safety duties. Aside from the legislation, civil claims for damages show no signs of abating and employers must continue to ensure that they adhere to their duty of care.

Our marketplace

The delivery of a good quality service at a reasonable cost is the philosophy that has enabled us to remain competitive in our marketplace. The loyalty of most existing clients tends to support this view but there is a tendency for some customers, particularly in the public sector, to place business based on the lowest price and without proper regard for service delivery.

Each of our subsidiaries is focusing on client retention through offering added value and improving responsiveness. We continue to look at the development of new services such as the SafetyMARK certification previously mentioned.

Expectations

It continues to be very difficult to predict the future demand for our services. Should the Government embark upon a radical programme of deregulation or a significant relaxation of current regulatory requirements, this would inevitably impact the health and safety consultancy sector, and therefore our income, in a negative way.

Where we are assisting clients to meet their regulatory obligations, this income stream is likely to be more stable than the revenues from discretionary spend on services such as general consultancy and training courses. The management of asbestos will continue to be the source of the majority of Group income, as this topic tends to be enforced with a degree of rigor.

We believe that the SafetyMARK audit and certification service will prove to be a lucrative income stream, but do not expect this to have a material impact in 2012/13.

There is considerable uncertainty about our marketplace, coupled with general economic stagnation that appears to be affecting most sectors of the economy. Last year, Group revenues fell by around 9 per cent. but with the benefit of a contribution from the new QCS subsidiary from August 2012, the board sees revenues for 2012/13 as being marginally ahead of those in the previous year. If each subsidiary, including QCS, achieves its forecast then profits would also be slightly ahead of last year. This expectation is based on eight months of trading through the new subsidiary.

We will continue to make efforts to cut costs, but there is a limit to how far that process can be taken before it begins to affect the services we offer.

We have a capable and committed group of operational managers, supported by experienced and competent staff. With at least one new subsidiary joining the Group, and new services being developed, I remain optimistic about the long-term prospects of the business. We continue to have the cushion of a strong cash balance and expect to remain cash generative. Taken together, I am confident that this will enable us to meet the challenges that lie ahead.

Stephen King

Group Chief Executive

GROUP STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2012

	31.3.12 £	31.3.11 £
Continuing operations:		
Revenue	4,434,307	4,813,773
Cost of sales	(2,256,418)	(2,636,062)
Gross profit	2,177,889	2,177,711
Administrative expenses	(1,786,139)	(1,917,632)
Other income	6,737	66,593
Profit from operations	398,487	326,672
Finance income	8,906	1,364
Finance costs	(242)	-
Profit before taxation	407,151	328,036
Corporation tax expense	(108,072)	(89,035)
Profit for the year after tax attributable to owners of the parent	**299,079**	**239,001**
Other comprehensive income	**-**	**-**
Total comprehensive income attributable to owners of the parent	**299,079**	**239,001**
Attributable to:		
Equity holders of the Group	299,079	239,001
Basic Earnings per Share for profit after tax and total comprehensive income from continuing operations attributable to the equity holders of the Group during the year	2.91p	2.33p

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The loss for the year before dividends received from subsidiaries (2012- £586,555, 2011 – nil)) was £42,093 (2011 – profit £6,491). There were no recognised gains and losses for 2012 or 2011 other than those included in the company profit and loss account.

GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2012

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2010	1,038,196	1, 497,409	143,628	2,448,553	5,127,786
Profit for year attributable to equity holders	-	-	-	239,001	239,001
Dividends	-	-	-	(93,434)	(93,434)
Balance at 31 March 2011	1,038,196	1,497,409	143,628	2,594,120	5,273,353
Balance at 1 April 2011	1,038,196	1, 497,409	143,628	2,594,120	5,273,353
Profit for year attributable to equity holders	-	-	-	299,079	299,079
Deferred tax adjustment to property valuation	-	-	-	5,588	5,588
Dividends	-	-	-	(207,639)	(207,639)
Balance at 31 March 2012	1,038,196	1,497,409	143,628	2,691,148	5,370,381

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2012

	31.3.12 £	31.3.11 £
Cash flows from operating activities:		
Cash generated from operations	514,030	616,068
Interest paid	(242)	-
Tax paid	(55,840)	(202,604)
Net cash generated from operating activities	**457,948**	**413,464**
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,009)	(33,463)
Purchase of subsidiary companies (net of cash acquired)	(107,097)	(250,000)
Disposal of fixed assets	7,414	800
Interest received	8,906	1,364
Net cash used in investing activities	**(96,786)**	**(281,299)**
Cash flows from financing activities		
Dividends paid to Group shareholders	(207,639)	(93,434)
Net cash used by financing activities	**(207,639)**	**(93,434)**
Net increase in cash and cash equivalents	**153,523**	**38,731**
Cash and cash equivalents at beginning of year	749,059	710,328
Cash and cash equivalents at end of year	**902,582**	**749,059**

NOTES TO THE GROUP STATEMENT OF CASH FLOW for the year ended 31 March 2012

	31.3.12	31.3.11
	£	£
CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	398,487	326,672
Depreciation charge	46,962	51,730
Acquisition cost	7,097	-
(Profit)/loss on sale of fixed assets	(1,328)	10,263
Increase in stock	(3,775)	-
Decrease in debtors	155,573	334,799
Decrease in creditors	(88,986)	(107,396)
Cash generated from operations	**514,030**	**616,068**

NOTE TO THE PRELIMINARY RESULTS ANNOUNCEMENT OF PHSC PLC FOR THE YEAR ENDED 31 MARCH 2012

The financial information set out above does not constitute the Group's financial statements for the years ended 31 March 2012 or 2011, but is derived from those financial statements. Statutory financial statements for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following their approval by the board and dispatch to shareholders. The auditors have not yet reported on the 2012 financial statements.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement are consistent with those in the full financial statements that have yet to be published.

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