

CHAIRMAN'S STATEMENT

for the six months ended 30 September 2007

Financial Highlights

- Group turnover (consolidated) for the period is £2.518m compared with £2.060m for the same period last year, representing an increase of 22%.
- Group profit before tax provision is £364,000, a 49% increase in the figure of £244,000 for the same period last year.
- Diluted earnings per share at the interim stage in respect of continuing activities are 2.14p representing a 22% rise above the 1.76p achieved in the corresponding period last year.
- Net cash inflow from operating activities was £479,000 (£87,000 in the same period last year). After payment of dividends (£93,000), repayment of borrowings (£140,000) and final payments relating to previous acquisitions (£159,000), there was a £78,000 net increase in cash. This resulted in cash reserves rising to £1.547m at the end of the period.

The pattern of work continues to result in an interchange of work between subsidiaries. There is a core of personnel in the Group with the skills to undertake assignments on behalf of any trading subsidiary. Subsequently, the contracts earned by one subsidiary may be carried out and invoiced by another member of the Group and we have a policy of not cross-charging between subsidiaries. In consequence the individual performance of each subsidiary may be distorted and thus the consolidated Group position is the only true measure of performance.

Corporate Review

Acquisitions

There have been no acquisitions in the period although, as previously announced, Heads of Terms have been signed with two companies as detailed below.

Heads of Terms have been agreed with In House The Hygiene Management Company (IH), a food hygiene practice. Due diligence is underway and completion is expected before the end of the calendar year. Turnover for IH in the six months to 30 June 2007 was £197,000, generating pre-tax profits of £56,000 (unaudited).

IH will enter into a strategic partnership with our RSA Environmental Health subsidiary, and will be managed from RSA's Midlands offices.

The initial consideration for IH is agreed at £200,000 with further payments each of £50,000 on the first and second anniversaries. Each anniversary payment is subject to a self-funded bonus according to profits.

Heads of Terms have been agreed with Guardian Water Treatment Limited (Guardian), a company specialising in air and water quality management. Due diligence is underway and completion is expected before the end of the calendar year, but after the IH acquisition. Guardian's turnover in the

year to 31 March 2007 was £2.1m, generating pre-tax profits of £263,000 (unaudited). Management accounts indicate that Guardian is currently trading ahead of last year's performance.

The maximum purchase price is £2.15m (including the freehold property based on current property values) and comprises payment on completion of £900,000, a further unconditional payment of £400,000 on the first anniversary of completion and a bonus payment on the second anniversary of completion of £200,000 on the basis that the adjusted earnings before interest and tax (EBIT) for the trading year to 31 March 2009 reaches a minimum of £400,000. This payment will be adjusted pound for pound by the amount that EBIT is above or below that figure, subject to a minimum payment of £50,000 and a maximum of £400,000. The Group will purchase the business property at fair market value within an agreed period after completion. This property is currently valued at £450,000.

Performance by Trading Subsidiaries

Profit figures for individual subsidiaries are stated before tax and management charges.

Adamson's Laboratory Services Limited

Invoiced sales of £1,407,319, yielding a profit of £277,838 (the figures for the same period last year were £1,099,216 and £190,069).

Envex Company Limited

Invoiced sales of £123,818, resulting in a loss of £6,874 for the period. There are no comparable figures for last year as the company was not part of the Group at that time.

Personnel Health and Safety Consultants Limited

Invoiced sales of £508,377, yielding a profit of £255,637 (the figures for the same period last year were £514,295 and £210,602).

RSA Environmental Health Limited

Invoiced sales of £479,266, yielding a profit of £29,091 (the figures for the same period last year were £445,866 and £29,526).

Dividend

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

Prospects

It has traditionally been the case that demand for the Group's services is higher in the second half of the year. Despite the excellent first half performance, we believe that this trend will continue in the current financial year. Subject to completing both acquisitions as anticipated, there will also be significant new revenues and profits to supplement those generated by continuing operations.

Stephen King – Chairman and Managing Director

Consolidated income statement

	Note	Six months ended 30 Sept 07 Unaudited £'000	Six months ended 30 Sept 06 Restated £'000	Year ended 31 Mar 07 Restated £'000
Revenue		2,518	2,060	4,589
Cost of sales		1,374	1,081	2,306
Gross profit		<u>1,144</u>	<u>979</u>	<u>2,283</u>
Other operating income		1	1	2
Administrative expenses		(792)	(728)	(1,506)
Profit from operations		<u>353</u>	<u>252</u>	<u>779</u>
Finance revenue		22	5	10
Finance costs		(11)	(13)	(29)
Profit before tax		<u>364</u>	<u>244</u>	<u>760</u>
Taxes		(111)	(68)	(239)
Profit for the period from continuing operations		<u>253</u>	<u>176</u>	<u>521</u>
Loss for the period from discontinued operations		-	(26)	(59)
Attributable to:				
Equity holders of the Group		<u>253</u>	<u>150</u>	<u>462</u>
Earnings per share	3			
Continuing operations		2.17p	1.79p	5.30p
Discontinued operations		-	(0.26)p	(0.60)p
Diluted earnings per share				
Continuing operations		2.14p	1.76p	5.21p
Discontinued operations		-	(0.26)p	(0.59)p

Consolidated balance sheet

	Note	30 Sept 07 Unaudited £'000	30 Sept 06 Restated £'000	31 Mar 07 Restated £'000
Non-current assets				
Property, plant and equipment	2	823	700	818
Intangible assets		47	81	49
Goodwill		2,206	2,192	2,191
		<u>3,076</u>	<u>2,973</u>	<u>3,058</u>
Current assets				
Inventories		316	376	389
Trade and other receivables		821	786	951
Cash and cash equivalents		1,547	319	1,469
		<u>2,684</u>	<u>1,481</u>	<u>2,809</u>
Current liabilities				
Trade and other payables		410	487	648
Current tax payable		347	250	236
Borrowings		83	73	84
		<u>840</u>	<u>810</u>	<u>968</u>
Net current assets		<u>1,844</u>	<u>671</u>	<u>1,841</u>
Total assets less current liabilities		4,920	3,644	4,899
Non-current liabilities				
Long-term borrowings		148	270	287
Deferred taxation		91	91	91
		<u>239</u>	<u>361</u>	<u>378</u>
		<u>4,681</u>	<u>3,283</u>	<u>4,521</u>
Equity				
Share capital and premium		2,629	1,703	2,629
Other reserves		208	205	208
Retained earnings		1,844	1,375	1,684
Total equity		<u>4,681</u>	<u>3,283</u>	<u>4,521</u>

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Other Reserves			Total Equity £'000
			Capital Redemption Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	
Balance at 1 April 2006	983	728	-	205	1,298	3,214
Profit for the period attributable to equity holder:	-	-	-	-	150	150
Dividends	-	-	-	-	(73)	(73)
Purchase of own shares	(2)	(6)	-	-	-	(8)
Balance at 30 September 2006	<u>981</u>	<u>722</u>	<u>0</u>	<u>205</u>	<u>1,375</u>	<u>3,283</u>
Balance at 1 April 2007	1,166	1,463	6	202	1,684	4,521
Profit for the period attributable to equity holder:	-	-	-	-	253	253
Dividends	-	-	-	-	(93)	(93)
Balance at 30 September 2007	<u>1,166</u>	<u>1,463</u>	<u>6</u>	<u>202</u>	<u>1,844</u>	<u>4,681</u>

Consolidated cash flow statement

	Six months ended 30 Sept 07 Unaudited £'000	Six months ended 30 Sept 06 Restated £'000	Year ended 31 Mar 07 Restated £'000
Cash flows from operating activities			
Cash generated from operations	490	102	661
Interest paid	(11)	(15)	(32)
Tax paid	-	-	(186)
Net cash generated from operating activities	<u>479</u>	<u>87</u>	<u>443</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(31)	(10)	(167)
Disposal of property, plant and equipment	-	3	7
Purchase of subsidiary companies	(159)	(133)	(159)
Interest received	22	5	10
Net cash used in investing activities	<u>(168)</u>	<u>(135)</u>	<u>(309)</u>
Cash flows from financing activities			
Proceeds from borrowings	-	-	95
Repayments of borrowings	(140)	(48)	(92)
Dividends paid to group shareholders	(93)	(64)	(73)
Proceeds from share issues	-	(8)	918
Net cash (used in) / from financing activities	<u>(233)</u>	<u>(120)</u>	<u>848</u>
Net increase/(decrease) in cash and cash equivalents	78	(168)	982
Cash and cash equivalents at beginning of year	<u>1,469</u>	<u>487</u>	<u>487</u>
Cash and cash equivalents at end of year	<u><u>1,547</u></u>	<u><u>319</u></u>	<u><u>1,469</u></u>

Notes to the cash flow statement

Cash generated from operations			
Profit before tax	364	218	735
Finance revenue	(22)	(5)	(10)
Finance cost	11	13	32
Depreciation	29	42	81
(Increase)/decrease in inventories	73	(80)	(83)
Decrease/(increase) in trade and other receivables	129	(97)	(251)
(Decrease)/increase in trade and other payables	(94)	8	154
Loss on disposal of financial assets	-	3	3
Cash generated from operations	<u>490</u>	<u>102</u>	<u>661</u>

Notes on the financial statements

- 1 The unaudited financial information comprises the consolidated interim balance sheets as at 30 September 2007 and 30 September 2006 and the related consolidated interim statements of income, changes in equity and cash flows and related notes for the six months then ended (hereinafter referred to as the "financial information").

The financial information, including the comparative figures for the year ended 31 March 2007, do not constitute statutory financial statements for the purposes of Section 240 of the Companies Act 1985. A copy of the statutory financial statements for the year ended 31 March 2007, prepared under UK Generally Accepted Accounting Principles ("UK GAAP"), has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with Section 235 of the Companies Act 1985.

PHSC plc has adopted International Financial Reporting Standards ("IFRS") with effect from 1 April 2007, in accordance with European Union Regulations and AIM Rules. The first Annual Report prepared under IFRS will be for the year ended 31 March 2008. In compliance with IFRS 1 'First Time Adoption of International Financial Reporting Standards', the date of transition to IFRS is 1 April 2006.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of IFRS as endorsed by the European Union. The Directors do not consider that there are any significant changes to the Group's accounting policies (as set out in the 2007 Annual Report) other than those resulting from the adoption of IFRS. An explanation of how transition to IFRS has affected the reported financial position and performance of the Group is provided in note 3. The note includes reconciliations of equity and profit for comparative periods reported under UK GAAP to those reported for those periods under IFRS.

	30 Sept 07 Unaudited £'000	30 Sept 06 Restated £'000	31 Mar 07 Restated £'000
2 Property, plant and equipment			
Cost or valuation			
Brought forward	1,008	875	875
Additions	31	11	167
Disposals	-	(14)	(25)
Acquisition of subsidiary	-	-	3
Disposal of subsidiary	-	-	(11)
	<u>1,039</u>	<u>872</u>	<u>1,009</u>
Depreciation			
Brought forward	191	156	156
Charge	25	23	53
Eliminated on disposal	-	(7)	(18)
	<u>216</u>	<u>172</u>	<u>191</u>
Net book value	823	700	818

Notes on the financial statements
3 Earnings per share

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

Earnings	30 Sept 07 £'000	30 Sept 06 £'000	31 Mar 07 £'000
Continuing activities	253	176	521
Discontinued activities	-	(26)	(59)
Number of shares	30 Sept 07	30 Sept 06	31 Mar 07
Weighted average number of shares for the purpose of basic earnings per share	11,657,296	9,824,684	9,838,547
Effect of dilutive warrants	163,373	163,373	163,373
Weighted average number of shares for the purpose of diluted earnings per share	<u>11,820,669</u>	<u>9,988,057</u>	<u>10,001,920</u>

Reconciliation of figures reported under UK GAAP to IFRS

RECONCILIATION OF PROFIT FOR THE HALF YEAR ENDED 30 SEPTEMBER 2006

<u>Note</u>	<u>UK GAAP</u>	<u>Presentational effects of transition to IFRS (Note 3)</u>	<u>Adjustments on transition to IFRS</u>	<u>IFRS</u>
Revenue	2,103	(43)		2,060
Cost of sales	(1,085)	4		(1,081)
Gross profit	1,018	(39)		979
Other operating income	1			1
1 Administrative expenses	(841)	63	50	(728)
Profit from operations	178	24	50	252
Finance revenue	5			5
Finance costs	(15)	2		(13)
Profit before tax	168	26	50	244
Taxes	(68)			(68)
Profit for the period from continuing operations	100	26	50	176
Profit for the period from discontinued operations	-	(26)		(26)
	100	0	50	150

RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31 MARCH 2007

<u>Note</u>	<u>UK GAAP</u>	<u>Presentational effects of transition to IFRS (Note 3)</u>	<u>Adjustments on transition to IFRS</u>	<u>IFRS</u>
Revenue	4,649	(60)		4,589
Cost of sales	(2,312)	6		(2,306)
Gross profit	2,337	(54)		2,283
Other operating income	2			2
1 Administrative expenses	(1,683)	76	101	(1,506)
Profit from operations	656	22	101	779
Finance revenue	10			10
Finance costs	(32)	3		(29)
Profit before tax	634	25	101	760
Loss on sale discontinued operations	(34)	34		0
Taxes	(239)			(239)
Profit for the period from continuing operations	361	59	101	521
Profit for the period from discontinued operations		(59)		(59)
	361	0	101	462

Reconciliation of figures reported under UK GAAP to IFRS

RECONCILIATION OF SHAREHOLDER'S EQUITY AT 1 APRIL 2006

Note	UK GAAP	Adjustments on		IFRS
		transition to		
		IFRS		
	719			719
Property plant and equipment				
	2,280			2,280
Intangible assets				
Total non-current assets	2,999			2,999
	297			297
Inventories				
	689			689
Trade and other receivables				
	487			487
Cash and cash equivalents				
Total current assets	1,473			1,473
	(493)			(493)
Trade and other payables				
	(182)			(182)
Current tax payable				
	(74)			(74)
Borrowings				
Current liabilities	(749)			(749)
	(417)			(417)
Long term borrowings				
	(13)	(78)		(91)
Deferred taxation				
Non-current liabilities	(430)			(508)
	3,293			3,215
	1,711			1,711
Share capital				
	206			206
Fair value and other reserves				
	1,376	(78)		1,298
Retained earnings				
	3,293			3,215

Reconciliation of figures reported under UK GAAP to IFRS

RECONCILIATION OF SHAREHOLDER'S EQUITY AT 30 SEPTEMBER 2006

Note	UK GAAP	Adjustments on		IFRS
		transition to		
		IFRS		
	700			700
1	81			81
	2,142	50		2,192
Total non-current assets	2,923			2,973
	376			376
	786			786
	319			319
Total current assets	1,481			1,481
	(487)			(487)
	(250)			(250)
	(73)			(73)
Current liabilities	(810)			(810)
	(270)			(270)
2	(13)	(78)		(91)
Non-current liabilities	(283)			(361)
	3,311			3,283
	1,703			1,703
	205			205
1&2	1,403	(28)		1,375
	3,311			3,283

Reconciliation of figures reported under UK GAAP to IFRS

RECONCILIATION OF SHAREHOLDER'S EQUITY AT 31 MARCH 2007

Note	UK GAAP	Adjustments on transition to		IFRS
		IFRS	IFRS	
	818			818
1	49			49
	2,090	101		2,191
	2,957			3,058
	389			389
	951			951
	1,469			1,469
	2,809			2,809
	(648)			(648)
	(236)			(236)
	(84)			(84)
	(968)			(968)
	(287)			(287)
2	(13)	(78)		(91)
	(300)			(378)
	4,498			4,521
	2,629			2,629
	208			208
1&2	1,661	23		1,684
	4,498			4,521

PRINCIPAL DIFFERENCES BETWEEN UK GAAP AND IFRS

The principal differences which give rise to changes in the Group's reported profit for the year ended 31 March 2007 and half year ended 30 September 2006 and net assets at 1 April 2006, 30 September 2006 and 31 March 2007 are as follows.

1 Amortisation of goodwill on consolidation

The Group has availed of the exemption in IFRS1 not to apply IFRS 3 'Business Combinations' retrospectively to business combinations that took place prior to 1 April 2006. Goodwill has been tested for impairment at the transition date and at each period end date. Amortisation charged since the transition date has been reversed as follows:

Period ended 30 September 2006	£50,000
Year ended 31 March 2007	£101,000

2 Deferred tax

In accordance with IAS 12 'Income Taxes' a deferred tax liability has been recognised on the revaluation of the Group's properties, which took place prior to the date of transition. The deferred tax liability has been recognised in the Group's revaluation reserve.

A provision for deferred tax of £78,000 has been recognised in respect of the revalued properties.

3 Presentational adjustment

The amounts in respect of the Group's discontinued operations have been restated to reflect the requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.