

## **GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT**

**for the six months ended 30 September 2009**

### **Financial Highlights**

- Group turnover (consolidated) for the period is down 8% at £2.208m compared with £2.401m for the same period last year.
- Retained profit of £117,000 after tax provision and goodwill impairment, compared with £121,000 for the same period last year.
- Diluted earnings per share at the interim stage are virtually unchanged at 1.06p compared with 1.04p achieved in the corresponding period last year.
- A total of 500,000 Ordinary Shares in PHSC plc were purchased and cancelled in the period at cost of £90,000.
- Net cash generated from operating activities was £297,000 (£188,000 outflow in the same period last year). After fixed asset purchases and disposals, repayment of borrowings, purchase of own shares and payment of dividends this led to a net cash increase of £68,000 in the period.
- Overall cash and cash equivalents stood at £911,000 at the end of the period compared with £843,000 at the year ended 31 March 2009.

### **Corporate review**

Post balance sheet events

Repayment of borrowings

In November 2009 the remaining balance of the mortgage on our Raunds premises of approximately £40,000 was repaid. This means that the Group has no outstanding loans.

Acquisitions

The final instalment due for the acquisition of In House the Hygiene Management Company was paid in cash in October 2009.

We are in the advanced stages of due diligence procedures relating to the proposed acquisition of a health and safety consultancy that specialises in the leisure sector. An announcement will be made at the appropriate time, with completion scheduled for the end of the calendar year.

### **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.

**Adamson's Laboratory Services Limited**

Invoiced sales of £1,081,905 yielding a profit of £155,633 (the figures for the same period last year were £1,273,687 and £236,680).

**Envex Company Limited**

Invoiced sales of £102,599 yielding a profit of £12,781 for the period (the figures for the same period last year were £121,029 and £28,471).

**In-House The Hygiene Management Company Limited**

Invoiced sales of £85,584 yielding a profit of £14,980 (the figures for the same period last year were £131,331 and a profit of £7,855).

**Inspection Services (UK) Limited**

Invoiced sales of £139,014 yielding a profit of £11,605. 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 £492,226 yielding a profit of £213,845 (the figures for the same period last year were £509,016 and £236,881).

**RSA Environmental Health Limited**

Invoiced sales of £307,303 yielding a loss of £1,457 (the figures for the same period last year were £377,673 and a loss of £31,203).

**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**

The Group continues to suffer from the effects of recession in the UK economy. This has led to lower orders and reduced margins on those sales that have been achieved. Nevertheless we believe we are better placed than many of our peers, with sector analysts suggesting that one in four safety consultancy practices are trading at a loss.

With the recent repayment of the last of our borrowings, a considerable cash balance, and a proposed acquisition in the pipeline, we are confident that we have the ability to grow revenues in the second half of the year. Margins will continue to be under pressure but we will resist the temptation to generate revenue at the expense of profit.

**Stephen King – Group Chief Executive Officer**

<b>Consolidated income statement</b>	Note	Six months ended 30 Sept 09 Unaudited £'000	Six months ended 30 Sept 08 £'000	Year ended 31 Mar 09 £'000
<b>Continuing operations</b>				
Revenue		2,208	2,401	5,022
Cost of sales		1,135	1,258	2,731
<b>Gross profit</b>		1,073	1,143	2,291
Other income		1	1	2
Administrative expenses		(885)	(935)	(1,845)
Administrative expenses - exceptional item		(16)	(27)	-
<b>Operating profit</b>		173	182	448
Finance income		-	25	32
Finance costs		(1)	(3)	(8)
<b>Profit before taxation</b>		172	204	472
Corporation tax expense		(55)	(83)	(146)
<b>Profit for the period on continuing operations</b>		117	121	326
Attributable to:				
Equity holders of the Group		117	121	326
<b>Earnings per share for profit from continuing operations attributable to the equity holders of the Group during the period</b>	3			

Basic	1.08p	1.05p	2.89p
Diluted	1.06p	1.04p	2.85p

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<b>Consolidated balance sheet</b>		30 Sept 09 Unaudited £'000	30 Sept 08 £'000	31 Mar 09 £'000
	Note			
<b>Non-current assets</b>				
Property, plant and equipment	2	830	861	847
Goodwill		2,718	2,566	2,734
		<u>3,548</u>	<u>3,427</u>	<u>3,581</u>
<b>Current assets</b>				
Inventories		2	2	1
Trade and other receivables		1,329	1,429	1,507
Cash and cash equivalents		911	892	843
		<u>2,242</u>	<u>2,323</u>	<u>2,351</u>
<b>Total assets</b>		<b>5,790</b>	<b>5,750</b>	<b>5,932</b>
<b>Current liabilities</b>				
Trade and other payables		619	510	671
Financial liabilities		2	5	8
Current corporation tax payable		51	87	32
Short term provisions		75	80	75
		<u>747</u>	<u>682</u>	<u>786</u>
<b>Non-current liabilities</b>				
Trade and other payables		-	-	2
Financial liabilities		37	82	75
Long-term provisions		-	50	-
Deferred taxation liabilities		74	82	74
		<u>111</u>	<u>214</u>	<u>151</u>
<b>Total liabilities</b>		<b>858</b>	<b>896</b>	<b>937</b>
<b>Net assets</b>		<b>4,932</b>	<b>4,854</b>	<b>4,995</b>

**Capital and reserves attributable to equity**

**holders of the Group**

Called up share capital	1,058	1,135	1,108
Share premium account	1,488	1,488	1,488
Revaluation reserve	114	199	197
Capital redemption reserve	197	36	64
Retained earnings	<u>2,075</u>	<u>1,996</u>	<u>2,138</u>
	<b><u>4,932</u></b>	<b><u>4,854</u></b>	<b><u>4,995</u></b>

Consolidated 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 2008	1,152	1,488	19	200	2,034	4,893
Profit for the period attributable to equity holder	-	-	-	-	121	121
Dividends	-	-	-	-	(97)	(97)
Purchase of own shares	(17)	-	17	-	(63)	(63)
Depreciation on revalued assets	-	-	-	(1)	1	-
Balance at 30 September 2008	<u>1,135</u>	<u>1,488</u>	<u>36</u>	<u>199</u>	<u>2,075</u>	<u>4,854</u>
Balance at 1 April 2009	1,108	1,488	64	197	2,138	4,995
Profit for the period attributable to equity holder	-	-	-	-	117	117
Dividends	-	-	-	-	(90)	(90)
Purchase of own shares	(50)	-	50	-	(90)	(90)
Depreciation on revalued assets	-	-	-	-	-	-
Balance at 30 September 2009	<u>1,058</u>	<u>1,488</u>	<u>114</u>	<u>197</u>	<u>2,075</u>	<u>4,932</u>

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<b>Consolidated cash flow statement</b>	Six months ended 30 Sept 09 Unaudited £'000	Six months ended 30 Sept 08 £'000	Year ended 31 Mar 09 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	333	46	422
Interest paid	(1)	(3)	(8)
Tax paid	(35)	(231)	(358)
Net cash generated from/(used in) operating activities	<u>297</u>	<u>(188)</u>	<u>56</u>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	(7)	(78)	(89)
Purchase of subsidiary companies	-	(7)	(229)
Disposal proceeds fixed assets	2	-	-
Interest received	-	25	31
Net cash used in investing activities	<u>(5)</u>	<u>(60)</u>	<u>(287)</u>
<b>Cash flows used in financing activities</b>			
Repayments of borrowings	(44)	(4)	(6)
Dividends paid to group shareholders	(90)	(97)	(97)
Purchase of own shares	(90)	(63)	(127)
Net cash used in financing activities	<u>(224)</u>	<u>(164)</u>	<u>(230)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	68	(412)	(461)
Cash and cash equivalents at beginning of year	<u>843</u>	<u>1,304</u>	<u>1,304</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>911</u></u>	<u><u>892</u></u>	<u><u>843</u></u>

## Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	173	182	448
Goodwill impairment	16	27	33

Depreciation	22	24	51
Loss on sale of fixed assets	-	-	1
(Increase)/decrease in inventories	(2)	-	2
Decrease/(increase) in trade and other receivables	178	(142)	(93)
Decrease in trade and other payables	<u>(54)</u>	<u>(45)</u>	<u>(20)</u>
Cash generated from operations	<u><u>333</u></u>	<u><u>46</u></u>	<u><u>422</u></u>

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### Notes on the financial statements

The financial information for the six months ended 30 September 2009 and the six months ended 30 September 2008 have not been audited. As permitted, the Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information.

The unaudited financial information comprises the consolidated interim balance sheets as at 30 September 2009 and 30 September 2008 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 2009, 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 2009, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with Section 235 of the Companies Act 1985.

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 2009 Annual Report) other than those resulting from the adoption of IFRS.

	30 Sept 09 Unaudited	30 Sept 08	31 Mar 09 Audited
	£'000	£'000	£'000
<b>2 Property, plant and equipment</b>			
<b>Cost or valuation</b>			
Brought forward	1,130	1,052	1,052
Additions	7	78	89
Disposals	(12)	-	(13)
Acquisition of subsidiary	-	-	2
Carried forward	<u>1,125</u>	<u>1,130</u>	<u>1,130</u>
<b>Depreciation</b>			
Brought forward	283	245	245
Charge	22	24	51
Disposals	(10)	-	(13)
Carried forward	<u>295</u>	<u>269</u>	<u>283</u>
<b>Net book value</b>	830	861	847

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## 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:

<b>Earnings</b>	30 Sept 09 £'000 unaudited	30 Sept 08 £'000	31 Mar 09 £'000
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Continuing activities	117	121	326
<b>Number of shares</b>	30 Sept 09	30 Sept 08	31 Mar 09
Weighted average number of shares for the purpose of basic earnings per share	10,890,227	11,487,085	11,277,224
Effect of dilutive warrants	163,373	163,373	163,373
Weighted average number of shares for the purpose of diluted earnings per share	<u>11,053,600</u>	<u>11,650,458</u>	<u>11,440,597</u>