

PHS C plc

 **ALS** Adamson's
Laboratory Services

 **Envex**
Health, Safety & Risk Consultants

 **In House**
In House The Hygiene Management Company

 **Personnel Health & Safety Consultants**

 **RSA**
Environmental Health

*Annual
Report
2008*

PHSC plc

CONTENTS OF THE FINANCIAL STATEMENTS

for the year ended 31 March 2008

	<i>Page</i>
Company Information	1
Group Chief Executive's Review	2
Report of the Directors	5
Statement of Directors' Responsibilities	12
Corporate Governance Statement	13
Independent Auditors' Report	14
Group Balance Sheet	16
Company Balance Sheet	17
Group Income Statement	18
Group Statement of Changes in Equity	19
Group Cash Flow Statement	20
Accounting Policies	21
Notes to the Financial Statements	26
Notice of Annual General Meeting	42
Form of Proxy	45

PHSC plc

COMPANY INFORMATION

DIRECTORS:	S A King N C Cooté 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 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:	Ruegg & Co Limited 39 Cheval Place London SW7 1EW
BROKERS:	Hichens, Harrison & Co plc Bell Court House 11 Blomfield Street London EC2M 1LB

PHSC plc

GROUP CHIEF EXECUTIVE'S REVIEW

for the year ended 31 March 2008

I am pleased to present my review of how the Company 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 it was disappointing that we were ultimately unable to conclude our planned acquisition of a water treatment business due to the seller withdrawing from the transaction, we did successfully complete the purchase of In House The Hygiene Management Company Limited (In House) on 30 November 2007. Thus the Group presently consists of the parent company along with five active subsidiaries. It is expected that this number will increase in the current year. Reference to the In House transaction and other planned additions is made in the section headed Recent and Proposed Acquisitions below.

As a result of being unable to proceed with the acquisition opportunity as mentioned above, a higher than anticipated level of cash was held throughout the year. This cash arose from the £1m placing that occurred in March 2007. In addition, given that the company is cash-generative, a decision was made to reduce borrowings. In consequence, bank loans secured against Group-owned properties at the year end had reduced from around £370,000 at the start of the year to around £90,000 at the year end.

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 136,277 ordinary shares were repurchased during the year and subsequently cancelled. This included the remaining holding of 86,277 shares originally issued to the seller as part of the consideration for RSA Environmental Health Limited (RSA) in 2004. Since the year end, a further 70,000 shares have been repurchased.

In last year's statement I reported that we had purchased additional premises for Adamson's Laboratory Services Limited (ALS) at Raunds in Northamptonshire, adjacent to the existing offices leased by RSA. We have now agreed to acquire the virtual freehold of the RSA premises themselves for a fee of £73,500 and that purchase is currently in progress. This will be funded from existing cash resources.

Recent and Proposed Acquisitions

The Group acquired In House on 30 November 2007 for an initial consideration of £200,000 paid for out of existing cash resources. Further payments of £50,000 become due on each of the first and second anniversaries of the purchase. Both anniversary payments are subject to an uplift equal to 50% of any pre-tax profit that exceeds £100,000 in the preceding year. In House is a well-respected and established food safety and hygiene consultancy, with hospitals, schools and hotels amongst its client base. The company also offers general health and safety consultancy and training. Please refer to the section below headed Performance by Trading Subsidiaries for information on post-acquisition performance.

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.

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 £757,000 in respect of continuing operations for the year ended 31 March 2008 remained at a similar level to the previous year (2007: £761,000). Due to the share issue in March 2007, the basic earnings per share fell from 5.31p to 4.48p. The Group's net assets have risen by £370,000 from £4.52m to £4.89m.

Performance by Trading Subsidiaries

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

PHSC plc

GROUP CHIEF EXECUTIVE'S REVIEW *(continued)* *for the year ended 31 March 2008*

Personnel Health & Safety Consultants Limited

Sales of £1.05m, yielding a profit of £561,000.

In the previous year there were sales of £1.12m and a profit of £528,000.

RSA Environmental Health Limited

Sales of £971,000, yielding a profit of £70,000.

In the previous year there were sales of £966,000 and a profit of £68,000.

Adamson's Laboratory Services Limited

Sales of £2.73m, yielding a profit of £490,000.

In the previous year there were sales of £2.44m, yielding a profit of £542,000.

Envex Company Limited

Sales of £224,000, yielding a profit of £15,000.

By comparison, invoiced sales for the four months after acquisition were £55,000, resulting in a profit of £3,000.

Dividend

The board is proposing a final dividend of 0.85p per ordinary share to be paid on 19 September 2008 to shareholders on the register as at 22 August 2008.

Post Balance Sheet Events

Since the year end, Heads of Terms have been signed with two companies that will each bring significant new benefits and opportunities to the Group. Both proposed transactions are subject to a due diligence process currently in progress. Details of the intended acquisitions are outlined below.

Inspection Services (UK) Limited

The company is an independent specialist in the examination and certification of plant and equipment, offering an inspection service for all statutory and non-statutory requirements throughout the UK. Originally formed in 1992, the company derives much of its work from a network of insurance brokers and enjoys a high level of repeat business. The agreed price is £180,000 payable in cash on completion, plus assets at book value. An additional £25,000 becomes due on the first anniversary subject to pre-tax profits of not less than £60,000 accruing in the period. In the last financial year, the company recorded pre-tax profits of £40,000 on revenues of £221,000.

Aquatic Water Services Limited

The company was originally formed in 1989 and provides specialist scientific, process and engineering services to the water industry. Projects are undertaken in the potable water, waste water, fresh water and marine water environments. The business is ideally placed to benefit from increasing regulatory attention being paid to the sector. In particular, the company assists clients to meet EU-driven environmental legislation, and the Asset Maintenance Planning (AMP) programmes that water companies must agree with Ofwat, the regulatory body. The purchase price has been agreed at £500,000 inclusive of net assets of approximately £335,000. An initial sum of £350,000 becomes payable on completion, £100,000 six-months thereafter, and the balance on the first anniversary of completion. All these payments will be made from currently existing cash resources. Management accounts for the nine-months to end of March 2008 indicate that the company had revenues of £316,000 for that period and pre-tax profits of £124,000 before director's earnings.

PHSC plc

GROUP CHIEF EXECUTIVE'S REVIEW *(continued)*

for the year ended 31 March 2008

Prospects

We are finding that the pricing of health and safety consultancy services is becoming more competitive, and margins are under pressure. Despite this tougher economic environment, the board takes the view that PHSC plc can look forward to revenue growth and a good performance in the forthcoming year. Whilst much of the growth is dependent on the successful conclusion of the proposed acquisitions outlined above, the marketplace for current subsidiaries' services is still strong. We feel that we are better placed than the majority of our competitors to withstand the effects of any downturn. Our confidence arises from the fact that we have a very diverse client portfolio and there are many ongoing contracts that will underpin revenues.

Trading in the first two months of 2008/09 generated Group revenues of £810,000 (2007/08: £725,000).

Stephen King

Group Chief Executive

PHSC plc

REPORT OF THE DIRECTORS

for the year ended 31 March 2008

The directors present their report with the audited financial statements of PHSC plc Company and Group for the year ended 31 March 2008.

PRINCIPAL ACTIVITY

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 through recent acquisitions, more specifically the areas of asbestos and food hygiene.

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 2 to 4. A review of the activities of each trading subsidiary is provided below.

Personnel Health & Safety Consultants Limited (PHSCL)

Turnover for the year was £1.051m compared with £1.124m for the previous year. The fall in turnover arose largely as a consequence of the Company being a team player within the Group. Sales enquiries were passed to the most appropriate Group member based on geography, the technical discipline required and fee-earner availability. In addition PHSCL personnel frequently carried out assignments on contracts operated by sister companies.

RSA Environmental Health Limited (RSA)

Turnover and profit for the year ended 31 March 2008 compared favourably to the previous year, with a modest year on year increase. In the new financial year greater emphasis is being placed on the core activity of providing agency staff solutions. Investment has been made in the retraining of staff to produce a higher standard of candidate and provide better client care. A new software system has been purchased to manage and match opportunities and candidates. It is believed that these combined measures will improve efficiency and help RSA compete in an increasingly competitive market. Furthermore, the opportunity is being taken to expand services and deliver a permanent recruitment solution to sit alongside the established agency work. Emphasis will be placed on recruitment in the health and safety sector, which aligns with the strength and expertise of RSA and the other companies within the PHSC plc Group. RSA has engaged a permanent recruitment company to help establish and grow this potentially lucrative activity.

RSA has been successful in continuing to develop the Safety Advisor Service, which remains the cornerstone of the PHSC plc Group business activity. Utilising the synergy of skills across the Group, the service can be delivered effectively and profitably to businesses looking for long term partnerships. RSA saw Advisor Services sales grow over 35% to £86,400 during the year ended 31 March 2008.

Adamson's Laboratory Services Limited (ALS)

ALS has benefited from continued expansion, securing major new contracts and having existing term contracts expanded and extended. This expansion has increased the turnover by 12% for the year ended 31 March 2008.

The Company's core activity of providing asbestos consultancy has consolidated and continues to service a wide range of clients but benefit has also been received from the expansion of the Company, adding new names to the client list.

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 ALS contract with ISG plc for Shell Tower Renewal Project has grown and is projected to be worth in the region of £1.5 million for the three-year contract. The new and extended contracts include asbestos consultancy and surveying services for London Borough of Brent, University of Cambridge, Hertfordshire County Council, Chelmer Housing and Thurrock Council, to name a few.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2008

A new trend for the employment of compliance advisors has seen the placement of ALS asbestos consultants in semi-permanent positions. This has raised the profile of ALS within prestigious organisations such as the University of Cambridge, Cunard and The London Borough of Lewisham.

ALS has gained UKAS Accreditation for its office in Raunds, Northamptonshire. 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 launch of the internet version of the ALS asbestos register database "ARMSnet" has proved successful with various organisations such as University College London and The London Borough of Lewisham purchasing the ARMSnet system and relying on ALS to manage the asbestos within their buildings.

The Health and Safety department has been successful in winning substantial new business via the Safety Advisor Service, increasing the value over the last year by over 100% as well as winning new business 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, T W Turners and others. The Health and Safety department has also won a number of fixed term contracts, including secondment positions with Petroplus.

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.

Over the last year ALS has constantly reviewed its internal operation and business practices, implementing new procedures to maximise efficiency.

Envex Company Limited (Envex)

Turnover of £224,000 was achieved in the year generating a gross profit margin of 57% and an operating profit of £8,000.

The Company has continued its integration with PHSC plc and has established good working relationships with the other companies in the Group. A strategic review is underway to identify how the Group skills and resources can be more effectively utilised to secure new clients and pursue tender opportunities. A more cohesive approach to group marketing has been established to support this process.

A new administration and business development manager has been appointed and there is a strategy in place to improve customer liaison and client development to gain more work from existing clients.

Envex has been successful in winning two new support contracts via the Safety Advisor Service; securing more contracts over the year is the main focus for the Company.

Envex remains a leading provider of the Institute of Risk Management's "Managing of Risk and Uncertainty" training course. A new focus for the year is to run more in-house courses for clients.

In House The Hygiene Management Company Limited (In House)

In House was acquired by the Group on 30 November 2007. On acquisition the year end was changed from 31 December to 31 March to provide a coterminous year end with the other members of the Group.

Long-standing contracts with The Restaurant Group and contract caterers Holroyd Howe were lost during the period ended 31 March 2008 because of restructuring in both organisations. This will impact upon future turnover but it is anticipated that as In House is now part of a larger organisation with greater resources and a broader range of services, there will be greater opportunities to tender for larger contracts. 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 basis for replacement of the lost income and a platform for future growth.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2008

In House 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 per month per subsidiary because this information gives a ready measure of how well the subsidiary is performing relative to its historical contribution. It also enables any trend to be detected and understood.

Profits before tax and management charges are reviewed by subsidiaries each month because the board is keen to ensure that subsidiaries are trading profitably. Relying on total revenues alone cannot give a true picture of how well resources are utilised.

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 72 and at the end of the year the figure was 78. During the year there were 16 joiners and 10 leavers. 4 employees joining the Group were associated with the acquisition of In House.

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.

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

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2008

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 United Kingdom.

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.

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 £93,258 was paid during the year ended 31 March 2008. The board is proposing a final dividend of 0.85p per ordinary share to be paid on 19 September 2008 to shareholders on the register as at 22 August 2008.

DIRECTORS

The directors during the year under review were:

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

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2008

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
29 November 2007	86,277	£8,628	£34,510
18 March 2008	25,000	£2,500	£10,750
18 March 2008	25,000	£2,500	£10,876

The total of these purchases represents 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.

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 2008 the number of creditors days in respect of trade creditors was 25 (2007: 22).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £1,224 (2007: £1,875) were made by the Group during the year. The Group does not make political contributions.

SUBSTANTIAL SHAREHOLDINGS

At 1 July 2008, 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	3,089,153	26.9
N C Coote	3,070,395	26.8
Marlborough UK Equity Growth Fund	350,000	3.0
Unicorn Asset Management Limited	1,899,453	16.5
including Eaglet Investment Trust plc	1,050,396	9.1
and Unicorn AIM VCT II plc	849,057	7.4
AXA SA and Group companies	646,509	5.7
including AXA Framlington AIM VCT 2 plc	412,399	3.6

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The directors have implemented International Financial Reporting Standards in the Group Financial Statements for the first time this year, as required by the Alternative Investment Market. The 2007 accounts have been restated to comply with these new standards.

The impact of the transition on the Group's results is set out in note 28.

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2008*

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 Friday 12 September 2008 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 6 and 7)

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 6 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 £354,898.

Resolution 7 empowers the directors, until the earlier of 11 December 2009 and next year's AGM, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,290,200 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 1 July 2008. It is intended to renew this authority and power at each annual general meeting.

Authority for the Company to purchase its own shares (Resolution 8)

Resolution 8 authorises the Company, until the end of next year's AGM, to purchase in the market up to a maximum of 1,717,652 ordinary shares (equivalent to approximately 15% of the issued share capital of the Company as at 1 July 2008) 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 Companies Act 1985 now allows the Company to 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 the interests of the Company and its shareholders as a whole, 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. The authority will expire at the conclusion of the annual general meeting in 2009 or, if earlier, 15 months from the date when the resolution is passed. It is intended to renew this authority at each annual general meeting.

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2008*

New article 103A (Resolution 9)

Directors' interests

The Companies Act 2006 sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where the articles of association contain a provision to this effect. The proposed new article 103A gives the directors authority to approve such situations.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. Firstly, only independent directors (ie those who have no interest in the matter being considered) will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. The new article will take effect from 1 October 2008 to coincide with the change in the law

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.

On behalf of the board

L E Young
Secretary

14 July 2008

PHSC plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2008

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 United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

PHSC plc

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2008

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, during the year the board has discussed succession planning at senior levels within the Group.

The audit committee comprises Mr. Miller (Chairman) and Mr. Webb. It has written terms of reference. During the year one of its main areas of focus was the move to IFRS which the Group had to make to comply with the AIM rules. In addition, the committee regularly considered the Group's system of internal controls and risk management. 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. During the year the Company has adopted an updated whistleblowing policy that has been communicated to all staff.

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. A bonus plan has been introduced to incentivise the senior executive team and any payments under it 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 31.3.08 Benefits	Total	Year ended 31.3.07 Total
S A King	£78,750	£1,042	£79,792	£76,008
N C Coote	£59,375	£5,704	£65,079	£56,086

Pension contributions of £6,480 were made in respect of the directors during the year ended 31 March 2008 (2007: £6,450).

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

	Year ended 31.3.08	Year ended 31.3.07
M J L Miller	£11,667	£10,000
G N Webb	£18,000	£18,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The board regularly reviews the risks facing the business and the internal controls which are in place to address these risks. The Group has undertaken an exercise where each operating subsidiary has reviewed its business and identified the key risks which it faces. As a result, plans have been put in place to deal with various contingencies which might arise. 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.

RELATIONS WITH INVESTORS

Mr. 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 2008

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of PHSC Plc for the year ended 31 March 2008 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 28. 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 United Kingdom Accounting Standards (United Kingdom 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 are properly prepared in accordance with the Companies Act 1985 and whether in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. 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 2008

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 2008 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 and Article 4 of the IAS Regulation;
- the Parent Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 March 2008;
- 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

Chartered Accountants and Registered Auditors

1 Westferry Circus

Canary Wharf

London E14 4HD

14 July 2008

PHSC plc

GROUP BALANCE SHEET

as at 31 March 2008

	Note	31.3.08 £	31.3.07 Restated £
Non-Current Assets			
Property, plant and equipment	4	807,343	817,516
Goodwill	5	2,585,197	2,240,522
		<u>3,392,540</u>	<u>3,058,038</u>
Current Assets			
Inventories	8	262,803	388,897
Trade and other receivables	7	1,025,643	950,834
Cash and cash equivalents	9	1,303,536	1,468,988
		<u>2,591,982</u>	<u>2,808,719</u>
Total Assets		5,984,522	5,866,757
Current Liabilities			
Trade and other payables	11	550,606	502,932
Financial liabilities	12	4,580	83,959
Current corporation tax payable		237,834	236,117
Short term provisions	13	80,000	144,510
		<u>873,020</u>	<u>967,518</u>
Non-Current Liabilities			
Financial liabilities	12	85,381	286,527
Long term provisions	13	50,000	-
Deferred tax liabilities	14	82,603	90,962
		<u>217,984</u>	<u>377,489</u>
Total Liabilities		1,091,004	1,345,007
Net Assets		4,893,518	4,521,750
Capital and Reserves attributable to Equity holders of the Group			
Called up share capital	10	1,152,101	1,165,729
Share premium account	10	1,487,873	1,487,873
Revaluation reserve		200,269	203,162
Capital redemption reserve		19,128	5,500
Retained earnings		2,034,147	1,659,486
		<u>4,893,518</u>	<u>4,521,750</u>

The Financial Statements were approved and authorised for issue by the board of Directors on 14 July 2008, and were signed on its behalf by:

S A King *Director*

Accounting Policies and Notes on pages 20 to 41 form part of these financial statements

PHSC plc

COMPANY BALANCE SHEET

as at 31 March 2008

	Note	31.3.08 £	31.3.07 £
Fixed assets			
Intangible assets	5	38,378	40,665
Tangible assets	4	147,826	135,406
Investments	6	3,365,580	2,903,273
		<u>3,551,784</u>	<u>3,079,344</u>
Current Assets			
Debtors	7	100,556	330,670
Cash at bank	9	671	100,000
		<u>101,227</u>	<u>430,670</u>
Creditors			
Amounts falling due within one year	11	487,369	242,850
Net current (liabilities)/assets		(386,142)	187,820
Creditors			
Amounts falling due after more than one year	12	135,381	88,811
		<u>3,030,261</u>	<u>3,178,353</u>
Capital and Reserves			
Called up share capital	10	1,152,101	1,165,729
Share premium account	10	1,487,873	1,487,873
Capital redemption reserve		19,128	5,500
Profit and loss account		371,159	519,251
Shareholders Funds	27	<u>3,030,261</u>	<u>3,178,353</u>

The Financial Statements were approved and authorised for issue by the board of Directors on 14 July 2008, and were signed on its behalf by:

S A King *Director*

Accounting Policies and Notes on pages 20 to 41 form part of these financial statements

PHSC plc

GROUP INCOME STATEMENT

for the year ended 31 March 2008

	Note	31.3.08 £	31.3.07 Restated £
Continuing operations:			
Revenue		5,078,074	4,588,858
Cost of sales	16	2,721,277	2,306,426
Gross Profit		2,356,797	2,282,432
Administrative expenses	16	1,637,174	1,503,782
Other income	15	750	1,311
Operating Profit		720,373	779,961
Finance income	19	56,559	9,609
Finance costs	19	20,182	28,179
Profit before taxation		756,750	761,391
Corporation tax expense	20	235,588	238,803
Profit for the Financial Year on Continuing Operations		521,162	522,588
Loss for the Financial Year on Discontinued Operations		–	60,187
Profit for the Financial Year		521,162	462,401
Attributable to:			
Equity holders of the Group		521,162	462,401
Earnings per Share for Profit from Continuing Operations Attributable to the Equity Holders of the Group during the year			
Basic	21	4.48p	5.31p
Diluted	21	4.42p	5.22p
Earnings per Share for Loss from Discontinued Operations Attributable to the Equity Holders of the Group during the year			
Basic	21	–	(0.61)p
Diluted	21	–	(0.60)p

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 £1,302 (2007: loss of £213,357).

Accounting Policies and Notes on pages 20 to 41 form part of these financial statements

PHSC plc

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2008

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
Balance at 1 April 2006	982,550	728,302	-	206,055	1,297,747	3,214,654
Profit for year attributable to equity holders	-	-	-	-	462,401	462,401
Dividends	-	-	-	-	(73,691)	(73,691)
Issue of ordinary shares	188,679	811,321	-	-	-	1,000,000
Costs of placing new shares issued	-	(51,750)	-	-	-	(51,750)
Purchase of own shares	(5,500)	-	5,500	-	(29,864)	(29,864)
Depreciation on revalued assets	-	-	-	(2,893)	2,893	-
Balance at 31 March 2007	<u>1,165,729</u>	<u>1,487,873</u>	<u>5,500</u>	<u>203,162</u>	<u>1,659,486</u>	<u>4,521,750</u>
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>

Accounting Policies and Notes on pages 20 to 41 form part of these financial statements

PHSC plc

GROUP CASH FLOW STATEMENT

for the year ended 31 March 2008

	Note	31.3.08 £	31.3.07 Restated £
Cash flows from operating activities			
Cash generated from operations	I	897,170	657,668
Interest paid		(20,182)	(28,179)
Tax paid		(245,081)	(185,953)
Net cash generated from operating activities		631,907	443,536
Cash flows from investing activities			
Purchase of property, plant and equipment		(42,352)	(166,524)
Proceeds from sale of property, plant and equipment		–	7,049
Purchase of subsidiary companies (net of cash acquired)		(381,647)	(159,722)
Interest received		56,559	9,609
Net cash used in investing activities		(367,440)	(309,588)
Cash flows from financing activities			
Proceeds from borrowings		–	93,419
Repayment of borrowings		(280,525)	(90,339)
Dividends paid to Group shareholders		(93,258)	(73,691)
Proceeds of share issues		–	948,249
Purchase of own shares		(56,136)	(29,864)
Net cash (used by)/generated from financing activities		(429,919)	847,774
Net (decrease)/increase in cash and cash equivalents		(165,452)	981,722
Cash and cash equivalents at beginning of year		1,468,988	487,266
Cash and cash equivalents at end of year		1,303,536	1,468,988

NOTES TO THE GROUP CASH FLOW STATEMENT

for the year ended 31 March 2008

	31.3.08 £	31.3.07 Restated £
I. CASH GENERATED FROM OPERATIONS		
Operating profit - continuing operations	720,373	779,961
Loss for financial year - discontinued operations	–	(60,187)
Depreciation charge	54,169	81,486
Loss on sale of discontinued operations	–	33,657
Loss on sale of fixed assets	–	2,884
Decrease/(increase) in stock and work in progress	126,494	(82,937)
Decrease/(increase) in debtors	9,620	(250,701)
(Decrease)/increase in creditors	(13,486)	153,505
Cash generated from operations	897,170	657,668

PHSC plc

ACCOUNTING POLICIES

for the year ended 31 March 2008

General information

PHSC plc is a company listed on the AIM market and incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given at the front of this report. The nature of the Groups 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 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.

The Financial Statements of PHSC plc (the Company) have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

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.

First-Time Adoption of International Financial Reporting Standards

The Group has adopted IFRS for the first time in its Financial Statements.

The Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" to provide a starting point for reporting under IFRS. The date of transition to IFRS was 1 April 2007 and all comparative information in these Financial Statements has been restated to reflect the Group's adoption of IFRS.

The transition to IFRS reporting has resulted in a number of changes to the Financial Statements, the Notes thereto and the Accounting Policies, compared with previous annual reports. These changes are set out in Note 28. The Accounting Policies that have been applied in the opening Balance Sheet have also been applied throughout all periods presented in these Financial Statements.

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

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" considers how certain grants of equity instruments should be treated under IFRS 2 "Share-based Payment". The interpretation is effective for the year ending 31 December 2008. The interpretation is not expected to have a major impact on the Group's results or equity.

IFRIC 12 "Service Concession Arrangements" is effective for the year ending 31 December 2008. As none of the Group entities is involved in public-to-private service concession arrangements, IFRIC 12 is not relevant to the Group.

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 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on how to assess the limit in IAS 19 "Employee Benefits" on the amount of the surplus that can be recognised

PHSC plc

ACCOUNTING POLICIES *(continued)* *for the year ended 31 March 2008*

as an asset. This interpretation is effective for accounting periods starting on or after 1 January 2008 but it is not expected to have any impact on the Group's results or equity.

Basis of Consolidation

The Group Financial Statements consolidate the Financial Statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2008.

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 purchase 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 (see page 41).

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)

Segment 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

PHSC plc

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2008

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

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;

PHSC plc

ACCOUNTING POLICIES *(continued)* *for the year ended 31 March 2008*

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The disclosures for prior periods have been re-presented to show the results of discontinued operations 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.

PHSC plc

ACCOUNTING POLICIES *(continued)* *for the year ended 31 March 2008*

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.

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 upon the performance of services or the transfer of risk to the customer.

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.

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 United Kingdom 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 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 2008

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 of directors 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 2008				
Borrowings	4,580	5,180	17,340	62,861
Trade and other payables	550,606	-	-	-
At 31 March 2007				
Borrowings	83,959	89,398	128,549	68,580
Trade and other payables	502,932	-	-	-

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimated 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. These calculations require the use of estimates.
- If the directors reduced their estimated recoverable amounts by 10%, the Group would have recognised an impairment of goodwill of £43,000.

Critical Judgements in applying the Entity's Accounting Policies

Revenue recognition: income as at 31 March 2008 has been valued in accordance with UTIF40 (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

	31.3.08	31.3.07
	£	£
Fees payable to the Company's auditor for the audit of the annual Parent Company and consolidated accounts	10,217	11,331
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	10,660	11,010
Other services under legislative requirements	4,200	-
Tax services	8,350	7,000
	<u>33,427</u>	<u>29,341</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

4. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Fixtures and Equipment £	Motor Vehicles £	Totals £
GROUP					
COST OR VALUATION					
At 1 April 2006	590,000	3,434	210,827	71,051	875,312
Additions	122,000	15,396	29,128	-	166,524
Disposals	-	-	(1,500)	(23,652)	(25,152)
Acquisition of subsidiary	-	-	3,000	-	3,000
Disposal of subsidiary	-	-	(11,208)	-	(11,208)
At 31 March 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
DEPRECIATION					
At 1 April 2006	10,032	1,372	103,014	41,397	155,815
Charge for the year	13,020	1,113	33,174	5,887	53,194
Disposals	-	-	(4,130)	(13,919)	(18,049)
At 31 March 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
NET BOOK VALUE					
At 31 March 2008	674,708	14,462	91,247	26,926	807,343
At 31 March 2007	688,948	16,345	98,189	14,034	817,516
At 1 April 2006	579,968	2,062	107,813	29,654	719,497

The freehold properties were last valued as follows:

31 Rochester Road, Aylesford, Kent	open market basis	19 May 2005	Michael Jeffreys Chartered Surveyors
49 Lampits Hill, Corringham, Essex	open market basis	17 May 2005	Messrs. Porter Glennly Chartered Surveyors

Depreciation expenses of £54,169 (2007: £53,194) are included in administrative expenses in the Income Statement.

No tangible fixed assets are subject to a finance lease.

Lease rentals amounting to £148,834 (2007: £139,905), 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:

	31.3.08 £	31.3.07 £
Cost	464,209	464,209

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

4. TANGIBLE FIXED ASSETS – continued

	Freehold property £	Improvements to property £	Motor Vehicles £	Totals £
COMPANY				
COST OR VALUATION				
At 1 April 2006	-	-	-	-
Additions	122,000	15,396	-	137,396
At 31 March 2007	122,000	15,396	-	137,396
Additions	-	-	21,275	21,275
At 31 March 2008	122,000	15,396	21,275	158,671
DEPRECIATION				
At 1 April 2006	-	-	-	-
Charge for the year	1,220	770	-	1,990
At 31 March 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
NET BOOK VALUE				
At 31 March 2008	118,340	13,086	16,400	147,826
At 31 March 2007	120,780	14,626	-	135,406

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

5. INTANGIBLE FIXED ASSETS

	Goodwill £
<hr/>	
GROUP	
COST	
At 1 April 2006	2,540,072
Additions	57,021
In subsidiaries disposed	(36,405)
Disposals	(82,542)
	<hr/>
At 31 March 2007	2,478,146
Additions	344,675
	<hr/>
At 31 March 2008	2,822,821
	<hr/>
AMORTISATION	
At 1 April 2006	259,735
Impairment	28,292
In subsidiaries disposed	(6,403)
Disposals	(44,000)
	<hr/>
At 31 March 2007 and 2008	237,624
	<hr/>
NET BOOK VALUE	
At 31 March 2008	2,585,197
	<hr/>
At 31 March 2007	2,240,522
	<hr/>
At 1 April 2006	2,280,337
	<hr/>
	Goodwill £
<hr/>	
COMPANY	
COST	
At 1 April 2006	45,739
Additions	-
	<hr/>
At 31 March 2007	45,739
	<hr/>
Additions	-
	<hr/>
At 31 March 2008	45,739
	<hr/>
AMORTISATION	
At 1 April 2006	2,787
Charge for the year	2,287
	<hr/>
At 31 March 2007	5,074
Charge for the year	2,287
	<hr/>
At 31 March 2008	7,361
	<hr/>
NET BOOK VALUE	
At 31 March 2008	38,378
	<hr/>
At 31 March 2007	40,665
	<hr/>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

5. INTANGIBLE FIXED ASSETS – continued

There has been no impairment of goodwill written off in the Income Statement during the year.

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:

	31.3.08 £	31.3.07 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	594,952	594,952
RSA Environmental Health Limited	375,975	375,975
Adamson's Laboratory Services Limited	1,221,724	1,207,049
Envex Company Limited	43,131	13,131
In House The Hygiene Management Company Limited	300,000	-
	<u>2,535,782</u>	<u>2,191,107</u>
At individual company level	49,415	49,415
Total goodwill for Group	<u>2,585,197</u>	<u>2,240,522</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.

In the year ended 31 March 2006, the forecast performance of Health & Safety Click was such that there was a £38,000 shortfall between forecast net profit and the carrying value of the goodwill. An impairment charge of £38,000 was made in the year ended 31 March 2006 and the company was subsequently disposed of on 31 January 2007.

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Shares in Group Undertakings

	31.3.08 £	31.3.07 £
COMPANY		
At 1 April	2,903,273	2,814,340
Additions	462,307	100,298
Disposals	-	(11,365)
At 31 March	<u>3,365,580</u>	<u>2,903,273</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS – continued

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

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Trade receivables	993,927	912,247	–	–
Less provision for impairment of trade receivables	(6,990)	(7,450)	–	–
Trade receivables - net	986,937	904,797	–	–
Other debtors, prepayments and accrued income	38,706	46,037	1,953	7,387
Loans to related parties - current portion	–	–	98,603	323,283
Total	1,025,643	950,834	100,556	330,670

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

At 31 March 2008, trade receivables of £6,990 (2007: £7,450) were impaired. An amount of £6,530 relates to an isolated situation where a customer is threatening a counter claim against the debt outstanding. The counter claim has yet to be substantiated but it was felt prudent to make a 33% provision against the debt outstanding.

The ageing of the overdue receivables is:

	Group		Company	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Up to 3 months	299,687	193,813	–	–
3 - 6 months	79,723	119,807	–	–
Over 6 months	24,154	16,193	–	–
	403,564	329,813	–	–

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

	Group		Company	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
At 1 April	7,450	–	–	–
Provision for receivables impairment	3,382	6,257	–	–
Receivables written off during the year as uncollectible	(3,842)	1,193	–	–
At 31 March	6,990	7,450	–	–

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

7. TRADE AND OTHER RECEIVABLES – continued

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	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Stocks	2,400	2,000	–	–
Work-in-progress	260,403	386,897	–	–
Total	<u>262,803</u>	<u>388,897</u>	<u>–</u>	<u>–</u>

The Group decrease in inventories of £126,094 (2007: £82,938) was offset against cost of sales.

9. CASH AND CASH EQUIVALENTS

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Cash at bank and in hand	1,303,536	1,468,988	671	100,000
Bank overdrafts	–	(560)	–	(560)
Total	<u>1,303,536</u>	<u>1,468,428</u>	<u>671</u>	<u>99,440</u>

10. CALLED UP SHARE CAPITAL

GROUP AND COMPANY

			31.3.08 £	31.3.07 £
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 2006	9,825,504	982,550	728,302	1,710,852
Share buy backs	(55,000)	(5,500)	–	(5,500)
Issue of ordinary shares	1,886,792	188,679	811,321	1,000,000
Cost of placing shares issued	–	–	(51,750)	(51,750)
At 31 March 2007	<u>11,657,296</u>	<u>1,165,729</u>	<u>1,487,873</u>	<u>2,653,602</u>
Share buy backs	(136,277)	(13,628)	–	(13,628)
At 31 March 2008	<u>11,521,019</u>	<u>1,152,101</u>	<u>1,487,873</u>	<u>2,639,974</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

10. CALLED UP SHARE CAPITAL – continued

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	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Bank loans	-	-	4,580	5,168
Trade payables	110,229	131,864	21,726	5,619
Amounts due to related parties	-	-	327,886	53,036
Social security and other taxes	263,725	261,384	25,993	16,715
Other creditors (see note 13)	-	-	80,000	144,510
Accrued expenses	176,652	109,684	27,184	17,802
Total	<u>550,606</u>	<u>502,932</u>	<u>487,369</u>	<u>242,850</u>

12. BORROWINGS

	Group		Company	
	31.3.08 £	31.3.07 £	31.3.08 £	31.3.07 £
Non-Current				
Bank loans	85,381	286,527	85,381	88,811
Provisions (see note 13)	-	-	50,000	-
Current				
Bank overdraft	-	560	-	-
Bank loans	4,580	83,399	-	-
Total	<u>89,961</u>	<u>370,486</u>	<u>135,381</u>	<u>88,811</u>

On 12 March 2008, the larger of the two bank loans was repaid in full. As at 31 March 2008 there remained a £95,000 loan taken out in October 2006, which 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.

There is a guarantee dated 21 November 2007 in favour of D Shun Wah for £90,000 expiring on the first anniversary of the acquisition of In House.

13. PROVISIONS GROUP

	Current £	Non-current £	Total £
At 1 April 2006	9,000	-	9,000
Deferred consideration on acquisitions	135,510	-	135,510
At 31 March 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 acquisitions	30,000	-	30,000
At 31 March 2008	<u>80,000</u>	<u>50,000</u>	<u>130,000</u>

* Consideration payable 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.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

14. DEFERRED TAX

Deferred tax liabilities

	Provision revalued properties £	Accelerated capital allowances £	Total £
At 1 April 2006 and 31 March 2007	77,740	13,222	90,962
Credited to income statement	(8,359)	-	(8,359)
At 31 March 2008	<u>69,381</u>	<u>13,222</u>	<u>82,603</u>

Deferred tax has been provided on the revalued fixed assets at 28% (2007: 30%). At present it is not envisaged that any tax will be come payable in the foreseeable future.

15. OTHER INCOME

	31.3.08 £	31.3.07 £
HMRC on line filing bonus	<u>750</u>	<u>1,311</u>

16. EXPENSES BY NATURE

GROUP

	31.3.08 £	31.3.07 £
Cost of sales	1,054,829	653,285
Staff related costs	2,372,528	2,232,175
Premises costs	60,860	44,702
Professional fees	112,198	97,410
Other expenses	758,036	782,636
Total cost of sales and administrative expenses	<u>4,358,451</u>	<u>3,810,208</u>

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.08 £	31.3.07 £
Wages and salaries	2,087,733	2,025,252
Social security costs	215,750	209,996
Other pension costs	32,943	32,117
	<u>2,336,426</u>	<u>2,267,365</u>

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

	31.3.08	31.3.07
Directors	7	8
Consultants	49	48
Administrative	16	16
Total	<u>72</u>	<u>72</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.08 £	31.3.07 £
Emoluments	174,538	160,094
Pension contributions to money purchase schemes	6,480	6,450
	<u>181,018</u>	<u>166,544</u>

19. FINANCE INCOME AND COSTS

	31.3.08 £	31.3.07 £
Interest expense		
Bank loan interest	20,182	28,179
Finance income		
Bank interest received	(56,559)	(9,609)
Net finance (income)/cost	<u>(36,377)</u>	<u>18,570</u>

20. TAXATION

Analysis of tax charge in year

	31.3.08 £	31.3.07 £
Current tax:		
UK corporation tax on profits of the year	234,550	236,121
Adjustments in respect of previous year	9,397	2,682
Total current tax	243,947	238,803
Deferred tax on origination and reversal of timing differences (provided at 28%)	(8,359)	-
Taxation	<u>235,588</u>	<u>238,803</u>

Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2007: 30%).

The differences are explained below:

	31.3.08 £	31.3.07 £
Profit on ordinary activities before tax (continuing and discontinued)	<u>756,750</u>	<u>701,204</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007: 30%)	227,025	210,361
Effects of:		
Amortisation of goodwill on consolidation not eligible for capital allowances	-	6,540
Depreciation in excess of capital allowances claimed	5,731	6,851
Disallowed expenses and adjustments	7,008	3,136
Disallowed expense - loss on sale of discontinued operations	-	10,097
Group relief	-	(33,264)
Profits taxable at lower rate	(5,214)	(3,378)
Adjustment in respect of prior periods	9,397	2,682
Deferred tax credit	(8,359)	-
Losses disposed	-	35,778
Current tax charge	<u>235,588</u>	<u>238,803</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

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.

	31.3.08	31.3.07
Profit attributable to equity holders of the Group (£)	521,162	462,401
Weighted average number of ordinary shares in issue	11,626,677	9,838,547
Basic earnings per share (pence per share)	4.48p	4.70p
Basic earnings per share (excluding loss from discontinued operations of £60,187)	–	5.31p

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.

	31.3.08	31.3.07
Profit attributable to equity holders of the Group (£)	521,162	462,401
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)	11,790,050	10,001,920
Diluted earnings per share (pence per share)	4.42p	4.62p
Diluted earnings per share (excluding loss from discontinued operations of £60,187)	–	5.22p

22. DIVIDENDS

The dividends paid in 2008 and 2007 were £93,258 (0.80p per share) and £73,691 (0.75p per share) respectively. A dividend in respect of the year ended 31 March 2008 of 0.85p per share, amounting to a total dividend of £97,928 is to be proposed at the annual general meeting on 12 September 2008. 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 non-cancellable operating leases for the coming year are:

	31.03.08		31.03.07	
	Land and building £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	2,040	26,936	2,279	13,327
Between two and five years	5,814	79,964	5,814	72,986
Total	7,854	106,900	8,093	86,313

The Group had no capital commitments at the year end.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

24. BUSINESS COMBINATIONS

On 30 November 2007, the Group acquired 100% of the share capital of In House The Hygiene Management Company Limited (In House). The acquired business contributed revenues of £117,818 and net profit of £31,646 to the Group for the period from 1 December 2007 to 31 March 2008. Details of net assets acquired and goodwill are:

	£
Purchase consideration	
- cash paid	200,000
- fair value of net assets	117,632
- deferred consideration	100,000
Total purchase consideration	417,632
Fair value of net assets acquired	(117,632)
Goodwill	300,000

The assets and liabilities as at 30 November 2007 arising from the acquisition were:

	Fair value £	Acquiree's carrying amount £
Cash and cash equivalents	95,170	95,170
Plant and equipment	1,644	1,644
Inventories	400	400
Trade and other receivables	84,429	84,429
Trade and other payables	(64,011)	(64,011)
Net assets acquired	117,632	117,632
Purchase consideration settled in cash	317,632	317,632
Cash and cash equivalents in subsidiary acquired	(95,170)	(95,170)
Cash outflow on acquisition	222,462	222,462

During the year ended 31 March 2007, 100% of the net assets of Envex Company Limited were acquired. The cost of the investment was £56,407 and net assets of £43,276 were acquired resulting in goodwill arising of £13,131. The sale and purchase agreement provides that a sum equivalent to any net profit made in the years ending on the first and second anniversaries of acquisition forms part of the purchase consideration. A loss was made for the year ended 9 January 2008. Based on the current forecast, a profit in the region of £30,000 may be made for the year ending 9 January 2009. This amount is now reflected as deferred consideration and the value of the goodwill increased accordingly.

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:

	31.3.08 £	31.3.07 £
Adamson's Laboratory Services Limited	182,343	84,000
Envex Company Limited	6,000	-
Health and Safety Click Limited	-	6,000
In House The Hygiene Management Company Limited	4,000	-
Personnel Health & Safety Consultants Limited	168,000	150,000
RSA Environmental Health Limited	42,000	42,000
Total	402,343	282,000

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

25. RELATED PARTY DISCLOSURES – continued

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

	31.3.08 £	31.3.07 £
Other Receivables:		
Adamson's Laboratory Services Limited	98,603	97,837
Personnel Health & Safety Consultants Limited	–	225,447
Other Payables:		
Envex Company Limited	(9,200)	(8,000)
Health and Safety Click Limited	–	–
In House The Hygiene Management Company Limited	(3,416)	–
Personnel Health & Safety Consultants Limited	(253,607)	–
RSA Environmental Health Limited	(61,663)	(45,036)
Net amount (payable)/receivable	<u>(229,283)</u>	<u>270,248</u>

During the year RSA charged In House a consultancy fee of £17,548 in respect of services provided by RSA personnel during the first four months of In House trading as part of the Group.

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 SA King, Group Chief Executive, holds 26.8% (2007: 26.5%) of the issued share capital of PHSC plc.

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	31.3.08 £	31.3.07 £
Company		
Profit/(loss) for the financial year	1,302	(213,357)
Dividends paid	(93,258)	(73,691)
Shares issued (at premium)	–	1,000,000
Share buy backs	(56,136)	(29,864)
Costs of placing new shares issued	–	(51,750)
Net addition to shareholders' funds	<u>(148,092)</u>	631,338
Opening shareholders' funds	<u>3,178,353</u>	<u>2,547,015</u>
Closing shareholders' funds	<u>3,030,261</u>	<u>3,178,353</u>
Equity interests	<u>3,030,261</u>	<u>3,178,353</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2008

28. RECONCILIATION OF PREVIOUS GAAP TO IFRS

Reconciliation of Balance Sheet

	As at 31 March 2007			As at 1 April 2006 (date of transition to IFRS)		
	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000	Previous GAAP £'000	Effect of transition to IFRS £'000	IFRS £'000
Non current assets						
Intangible fixed assets	49		49	86		86
Property, plant and equipment	818		818	719		719
Goodwill	I 2,090	101	2,191	2,194		2,194
Current assets						
Inventories	389		389	297		297
Trade and other receivables	951		951	689		689
Cash and cash equivalents	1,469		1,469	487		487
Current liabilities						
Trade and other payables	(648)		(648)	(493)		(493)
Current tax payable	(236)		(236)	(182)		(182)
Borrowings	(84)		(84)	(74)		(74)
Non current liabilities						
Long term borrowings	(287)		(287)	(417)		(417)
Deferred taxation	II (13)	(78)	(91)	(13)	(78)	(91)
Net assets	<u>4,498</u>		<u>4,521</u>	<u>3,293</u>		<u>3,215</u>
Share capital	2,629		2,629	1,711		1,711
Fair value and other reserves	208		208	206		206
Retained earnings	1,661	23	1,684	1,376	(78)	1,298
	<u>4,498</u>		<u>4,521</u>	<u>3,293</u>		<u>3,215</u>

Reconciliation of Income Statement

Year ended 31 March 2007	Previous GAAP £'000	Presentational effects of trans- ition to IFRS £'000	Adjustments on transition to IFRS £'000	IFRS £'000
Continuing Operations				
Revenue	4,649	(60)	-	4,589
Cost of sales	(2,312)	5	-	(2,307)
Gross profit	<u>2,337</u>	<u>(55)</u>	<u>-</u>	<u>2,282</u>
Other operating income	2	-	-	2
Administrative expenses	(1,683)	78	101	(1,504)
Profit from operations	<u>656</u>	<u>23</u>	<u>101</u>	<u>780</u>
Finance revenue	10	-	-	10
Finance costs	(32)	3	-	(29)
Profit before tax	<u>634</u>	<u>26</u>	<u>101</u>	<u>761</u>
Loss on sale of discontinued operations	(34)	34	-	-
Taxes	<u>(239)</u>	<u>-</u>	<u>-</u>	<u>(239)</u>
Profit for the period from continuing operations	<u>361</u>	<u>60</u>	<u>101</u>	<u>522</u>
Loss for the period from discontinued operations	<u>-</u>	<u>(60)</u>	<u>-</u>	<u>(60)</u>
	<u>361</u>	<u>-</u>	<u>101</u>	<u>462</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS *(continued)* *for the year ended 31 March 2008*

28. RECONCILIATION OF PREVIOUS GAAP TO IFRS – continued

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

I. 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 April 2006. Goodwill has been tested for impairment at the transition date and at each period end date. Amortisation of £101,000 charged for the year ended 31 March 2007 has been reversed.

II. 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.

III. Presentational adjustment

The amounts in respect of the Group's discontinued operations have been restated to reflect the requirements of IFRS5 "Non current Assets Held for Sale and Discontinued Operations".

IV. Group Cash Flow Statement

Under IFRS, the Group Cash Flow Statement reconciles the movements in cash and cash equivalents, whereas in the last audited UK GAAP Financial Statements, it reconciled the movements in cash only. There are no material differences between the IFRS and UK GAAP cash flow statements. There have been a number of minor reclassifications; for example, interest paid is now included in net cash from operating activities, whereas under UK GAAP it was reported in returns on investments and servicing of finance.

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 Friday 12 September 2008 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 to 9 will be proposed as special resolutions.

1. To receive the annual report and audited accounts for the year ended 31 March 2008.
2. To declare a final dividend of 0.85p per share.
3. To re-elect Mr M J L Miller as a director.
4. To re-elect Mr G N Webb MBE as a director.
5. To reappoint Littlejohn 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.
6. 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 £354,898 during the period commencing on the date of the passing of this resolution and expiring on 11 September 2013, 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.
7. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 6 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 6 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 £229,020.

such power to expire at the conclusion of the annual general meeting of the Company in 2009 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution, 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; and

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING *(continued)*

8. 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 1,717,652;
 - (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 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 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 2009 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution, 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.
9. THAT the articles of association of the Company be amended by inserting the following new article 103A:
- “From 1 October 2008 for the purposes of section 175 of the Companies Act 2006, the Directors shall have the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under that section to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company.”

By order of the board

L E Young
Secretary

18 July 2008

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 Wednesday 10 September 2008.
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. Only shareholders whose names appear on the register of members of the Company at the close of business on 10 September 2008 shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
4. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place so that:
 - (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

PHSC plc

Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Friday 12 September 2008

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 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 M J L Miller as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect G N Webb MBE as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. 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"/>
6. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise share buy backs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. To insert Article 103A into the 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.



Second Fold

Business Reply Plus
Licence Number
RRLC-AASJ-CKCE



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

Third Fold and Tuck in

First Fold