

## Group Chief Executive's Statement

for the year ended 31 March 2009

### Highlights:

- ! Group revenues virtually unchanged at £5.022m from £5.078m
- ! Profits reduced from £521,000 to £326,000 due to impact of economic downturn
- ! Net cash reserves of £843,000.
- ! 445,000 Ordinary Shares bought in for cancellation
- ! Net Group assets rise to £5.00m from £4.89m
- ! Basic earnings per share reduced from 4.48p to 2.89p
- ! Proposed final dividend maintained at 0.85p per Ordinary Share (2008: 0.85p)
- ! One subsidiary acquired, bringing the number of active subsidiaries to six

At the end of what proved a difficult year, I present my review of how the Group performed in the new commercial environment in which our subsidiaries found themselves. In addition to expanding some of the key points listed above, I comment on several of the activities that have taken place, and how the continuing downturn in the marketplace may affect the Group in the year ahead.

### General Overview

Although the reduction in earnings during the year is disappointing, the Group has stood up well in comparison to some of its peers. We benefit from a very healthy cash position, albeit that interest earned dropped by around £24,000 from the previous year.

One acquisition was concluded during the year, when we welcomed Inspection Services (UK) Limited into the Group. The new company undertakes statutory and non-statutory examination of various plant and equipment across the UK, obtaining a large proportion of revenues via insurance brokers. Reference to the transaction is made in the section headed "Recent and Proposed Acquisitions" below.

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 445,000 Ordinary Shares were purchased during the year and subsequently cancelled.

In last year's statement it was reported that we agreed to acquire the virtual freehold of the RSA premises at Raunds, Northants, for a fee of £74,500. This was duly completed and funded from existing cash resources.

## Recent and Proposed Acquisitions

Inspection Services (UK) Limited was purchased on 1 October 2008 for an initial goodwill consideration of £180,000 with a potential further payment of £25,000 after the first anniversary depending on profit targets being achieved.

Our proposed acquisition of a water services company, reported last year, did not proceed due to a combination of circumstances. These were a below expected performance by that company in the period of due diligence, and a view by our own Board that shareholders' interests would be better served by conserving our cash reserve.

## 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. The contracts of both non-executives were extended for a further twelve months from March 31 2009.

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.

## Performance by Trading Subsidiaries

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

### Personnel Health and Safety Consultants Limited

Sales of £1.08 million, yielding a profit of £518,000.

In the previous year there were sales of £1.05 million and a profit of £561,000.

### RSA Environmental Health Limited

Sales of £802,000, yielding a loss of £29,000.

In the previous year there were sales of £971,000 and a profit of £70,000.

### Adamson's Laboratory Services Limited

Sales of £2.60 million yielding a profit of £410,000.

In the previous year there were sales of £2.73m, yielding a profit of £490,000.

### Envex Company Limited

Sales of £225,000, yielding a profit of £9,000.

In the previous year there were sales of £224,000 and a profit of £15,000.

In House The Hygiene Management Company Limited  
Sales of £233,000, yielding a profit of £10,000.

In the previous year there were sales of £118,000 and a profit of £17,000 in the four month period post acquisition on 30 November 2007.

#### Inspection Services (UK) Limited

Sales of £128,000, yielding a profit of £33,000 for the six-month period from the date of acquisition. An adjustment to the way in which income was recognised in the completion accounts was required to ensure compliance with UK GAAP. The adjustment of net asset value was provisionally set at £15,000 at the date of acquisition, but is subject to ongoing discussion as to quantum. We believe that a substantially higher figure is ultimately repayable in due course.

#### Dividend

The Board is proposing a final dividend of 0.85p per ordinary share to be paid on 18 September 2009 to shareholders on the register as at 21 August 2009.

#### Prospects

In the current climate, and based upon the predictions of most economic forecasters looking at the UK economy, we do not expect that the period ending March 2010 will be any easier than the previous year. This is evidenced by the fact that trading in the first three months of 2009/10 generated Group revenues of £1,092,000, against £1,248,000 for the same period the previous year.

With many clients seeking to reduce spending on non-essential services, our target must be to try to maintain core revenues at a similar level to the year just ended. Despite the challenges we are faced with, our diverse client base gives us some degree of protection because we are not reliant upon any particular business sector.

Our strong cash position means that we have no direct exposure to the difficulties caused by restrictions on corporate lending. In fact we have halved the outstanding mortgage on our Raunds premises since the year end, repaying a lump sum of £40,000 to reduce future interest payments. Nevertheless, we are essentially a support service and the financial health of our clients is key to our own success. The Group does not intend to follow the lead of some others in the health, safety and environmental consultancy community who are known to be chasing revenue without regard to profits. We will seek to win new business where we can, emphasising the quality of our service, and given that it is commercially viable to do so.

Finally, we will continually review expenditure across the Group with a view to reducing our own costs.

#### **AGM**

The Annual General Meeting will be held on Wednesday 9 September 2009 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR at 10:00am.

Stephen King  
Group Chief Executive

<b>GROUP BALANCE SHEET AS AT 31 MARCH 2009</b>	31.3.09	31.3.08 Restated
	£'000	£'000
<b>Non-Current Assets</b>		
Property, plant and equipment	847	807
Goodwill	2,734	2,585
	<u>3,581</u>	<u>3,392</u>
<b>Current Assets</b>		
Inventories	-	3
Trade and other receivables	1,508	1,286
Cash and cash equivalents	843	1,303
	<u>2,351</u>	<u>2,592</u>
<b>Total Assets</b>	<b>5,932</b>	<b>5,984</b>
<b>Current Liabilities</b>		
Trade and other payables	671	551
Financial liabilities	9	4
Current corporation tax payable	31	238
Short term provisions	75	80
	<u>786</u>	<u>873</u>
<b>Non-Current Liabilities</b>		
Trade and other payables	2	-
Financial liabilities	75	85
Long term provisions	-	50
Deferred tax liabilities	74	83
	<u>151</u>	<u>218</u>
<b>Total Liabilities</b>	<b>937</b>	<b>1,091</b>
<b>Net Assets</b>	<b><u>4,995</u></b>	<b><u>4,893</u></b>
<b>Capital and Reserves attributable to Equity holders of the Group</b>		
Called up share capital	1,107	1,152
Share premium account	1,488	1,488
Revaluation reserve	197	200
Capital redemption reserve	64	19
Retained earnings	2,139	2,034
	<u>4,995</u>	<u>4,893</u>

	31.3.09	31.3.08
<b>GROUP INCOME STATEMENT</b>		
<b>FOR THE YEAR ENDED 31 MARCH 2009</b>	£'000	£'000
<b>Continuing operations:</b>		
Revenue	5,022	5,078
Cost of sales	2,732	2,721
Gross Profit	<u>2,290</u>	<u>2,357</u>
Administrative expenses	1,844	1,637
Other income	2	1
Operating Profit	<u>448</u>	<u>721</u>
Finance income	32	56
Finance costs	8	20
Profit before taxation	<u>472</u>	<u>757</u>
Corporation tax expense	146	236
<b>Profit for the Financial Year on Continuing Operations</b>	<u><b>326</b></u>	<u><b>521</b></u>
<b>Profit for the Financial Year</b>	<u><b>326</b></u>	<u><b>521</b></u>
<b>Attributable to:</b>		
Equity holders of the Group	<u><u>326</u></u>	<u><u>521</u></u>
Earnings per Share for Profit from Continuing Operations attributable to the Equity Holders of the Group during the year		
Basic	2.89p	4.48p
Diluted	2.85p	4.42p

**GROUP STATEMENT OF  
CHANGES IN EQUITY  
FOR THE YEAR ENDED  
31 MARCH 2009**

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
<b>Balance at 1 April 2007</b>	1,166	1,488	5	202	1,660	4,521
Profit for year attributable to equity holder	-	-	-	-	521	521
Dividends	-	-	-	-	(92)	(92)
Purchase of own shares	(14)	-	14	-	(57)	(57)
Depreciation on revalued assets	-	-	-	(2)	2	-
<b>Balance at 31 March 2008</b>	<u>1,152</u>	<u>1,488</u>	<u>19</u>	<u>200</u>	<u>2,034</u>	<u>4,893</u>

<b>Balance at 1 April 2008</b>	1,152	1,488	19	200	2,034	4,893
Profit for year attributable to equity holder					326	326
Dividends					(97)	(97)
Purchase of own shares	(45)		45		(127)	(127)
Depreciation on revalued assets				(3)	3	-
<b>Balance at 31 March 2009</b>	<u>1,107</u>	<u>1,488</u>	<u>64</u>	<u>197</u>	<u>2,139</u>	<u>4,995</u>

**GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	31.3.09	31.3.08
	£'000	Restated £'000
<b>Cash flows from operating activities:</b>		
Cash generated from operations	422	897
Interest paid	(8)	(20)
Tax paid	(358)	(245)
<b>Net cash generated from operating activities</b>	<u><b>56</b></u>	<u><b>632</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(89)	(42)
Purchase of subsidiary companies (net of cash acquired)	(229)	(382)
Interest received	32	56
<b>Net cash used in investing activities</b>	<u><b>(286)</b></u>	<u><b>(368)</b></u>
<b>Cash flows from financing activities</b>		
Repayment of borrowings	(6)	(281)
Dividends paid to group shareholders	(97)	(92)
Purchase of own shares	(127)	(57)
<b>Net cash used by financing activities</b>	<u><b>(230)</b></u>	<u><b>(430)</b></u>
<b>Net decrease in cash and cash equivalents</b>	<b>(460)</b>	<b>(166)</b>
Cash and cash equivalents at beginning of year	1,303	1,469
<b>Cash and cash equivalents at end of year</b>	<u><u><b>843</b></u></u>	<u><u><b>1,303</b></u></u>

**NOTE TO THE GROUP CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

31.3.09  
£'000  
31.3.08  
Restated  
£'000

**I. CASH GENERATED FROM OPERATIONS**

Operating profit – continuing operations	448	721
Depreciation and amortisation charges	84	54
Loss on sale of fixed assets	1	-
Decrease in stock and work in progress	3	-
(Increase)/decrease in debtors	(93)	136
Decrease in creditors	(21)	(14)
<b>Cash generated from operations</b>	<u><u><b>422</b></u></u>	<u><u><b>897</b></u></u>

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