

CHAIRMAN'S STATEMENT

for the six months ended 30 September 2006

Financial Highlights

- Group turnover (consolidated) for the period is £2.102m compared with £1.465m for the same period last year, representing an increase of over 40%.
- Group profit before tax provision is £168,000 compared with £137,000 for the same period last year, which is an improvement of more than 20%.
- Earnings per share at the interim stage are 1.02p compared with 0.79p for the same period last year, a rise of almost 30%.
- There was a net outflow of cash as a consequence of dividends paid and stage payments for acquisitions. Discounting those two elements, cash-flow was positive.

There continues to be an interchange of work between subsidiaries, with a number of personnel from each Group company having the skills to undertake assignments on behalf of any other trading subsidiary. Similarly, work awarded to one subsidiary may be carried out and invoiced by another member of the Group. This affords a high degree of flexibility and efficiency as it allows us to minimise the effects of peaks and troughs in the workload. However, it may also have a distorting effect on individual company performance.

Corporate Review

Acquisitions and disposals

There have been no acquisitions in the period, although a number of prospects have been evaluated.

Heads of terms have recently been agreed with The Envex Company Limited, a health and safety consultancy practice based in Berkshire. In the year ended 31 May 2006, Envex had revenues of £238,000 and a modest pre-tax profit of £7,150. Acquisition of Envex would give a Group presence to the west of London and would complement existing Group locations to the south, north and east.

The initial consideration for Envex is agreed at £35,000 with further self-funded payments (ie out of profits that the company generates) on the first and second anniversaries of completion of the purchase.

Following a strategic review, the Board has determined that the best interests of the Group would be served by the company divesting itself of its Health and Safety Click (HSC) subsidiary. HSC was acquired in the full knowledge that further investment would be required to enable the company to reach its potential, and various measures were taken to try and facilitate this. Whilst the HSC concept does remain an attractive one, the Board are of the view that PHSC plc should concentrate its efforts on maximising shareholder value from companies in the sector that are already sufficiently well established to be cash-generative. HSC is not forecast to become profitable over the next two years

and thus does not fit this model.

Working with HSC for approximately a year has given valuable insights into the ways that an internet-based provider can deliver a service, and the Board believes that a faster and more cost-effective route into this particular market can be achieved by developing web-based offerings through other Group subsidiaries.

Discussions have commenced with HSC's management with a view to them taking control of the company, and are planned with a third party who have expressed an interest in acquiring the company. Should matters be brought to a conclusion, there will be a positive effect on Group profitability and cash-flow.

Performance by Trading Subsidiaries

Profit figures for subsidiaries are stated before tax, management charges and amortisation of goodwill on consolidation.

Personnel Health and Safety Consultants Limited

Invoiced sales of £514,295 yielding a profit of £210,602 (the figures for the same period last year were £625,000 and £179,000).

RSA Environmental Health Limited

Invoiced sales of £445,866 yielding a profit of £29,526 (the figures for the same period last year were £337,000 and £45,500).

Adamson's Laboratory Services Limited

Invoiced sales of £1,099,216 yielding a profit of £190,069. There is no direct comparison with the same period last year, as the company was acquired in June 2005.

Health & Safety Click Limited

Invoiced sales of £43,356 resulting in a loss of £26,031. There is no direct comparison with the same period last year, as the company was acquired in August 2005.

Dividend

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

Prospects

It is traditionally the case that demand for the Group's services is higher in the second half of the year. This trend is set to continue with order books already full until the end of December. There is no reason to doubt that this will flow through into significant improvements in profitability levels in the second half of the year.

Profitability would also be enhanced as a consequence of replacing HSC with Envex, as outlined above, in the Group portfolio.

Stephen King – Chairman and Managing Director