

PHSC PLC

(the “Group”)

Preliminary Results

Group Chief Executive’s Statement

Highlights:

- ! Pre-tax profits rise 6% to £500,000 from £472,000
- ! Group revenues at £4.922m compared with £5.022m last year
- ! Net cash reserves of £710,000
- ! Net reduction of 694,000 ordinary shares in issue
- ! Net Group assets rise to £5.13m from £5.00m
- ! Basic earnings per share increased from 2.89p to 3.21p
- ! Proposed final dividend of 0.90p per ordinary share (2009: 0.85p)
- ! One subsidiary acquired, two others to merge into single unit

I am pleased to present my review of the Group’s financial performance for the year for the year ended 31 March 2010, along with some commentary about the corporate activity that has taken place. After outlining the performance of individual subsidiaries, I explain some of the potential challenges that we face in the future.

General Overview

Despite a reduction in revenues of around £100,000, prudent cost-control by management teams of Group subsidiaries assisted us to improve margins and deliver higher profits for the year. Payroll is our greatest cost, and a policy of freezing salaries for all employees and directors was adopted. The support and loyalty of all our staff enabled us to remain competitive.

One acquisition was concluded at the end of the calendar year, when Quality Leisure Management Limited became part of the Group. The new company specialises in leisure management consulting, and works with industry lead bodies in the development of standards and guidance. Reference to the transaction is made in the section headed “Recent and Proposed Acquisitions” below.

A total of 800,000 ordinary shares in PHSC plc were repurchased during the year and subsequently cancelled. This was in line with the Board’s policy of buying back shares where cashflow permits and the price is attractive. The net cost of the buybacks was £139,800. After allowing for new shares issued in connection with the acquisition mentioned below, the combined effect was to reduce total issued ordinary shares by 694,000 at the year end.

The Group repaid its outstanding bank loan of approximately £84,000 leaving no outstanding borrowings.

Recent and Proposed Acquisitions

The final instalment relating to the acquisition of In House the Hygiene Management Company Limited was paid in November 2009.

As stated in last year's report, we believe that the net assets of Inspection Services (UK) Limited, purchased in October 2008, were overstated by the seller and we continue to seek reimbursement of the overpayment as per the warranties in the sale contract. A resolution is expected in the near future. Based on accounting standards in line with UK GAAP we have also determined that the profit-related payment of £25,000 potentially due on the first anniversary is not payable.

Quality Leisure Management Limited (QLM) was acquired on 31 December 2009. £235,000 has been paid in cash of which £35,000 was for non-cash assets. In addition, the sellers were issued with 105,954 new ordinary shares. A further unconditional consideration of £200,000 is payable on 31 December 2010. Provided that QLM achieve pre-tax profits that average £100,000 for each of the two years immediately following acquisition, an additional amount of £100,000 will be payable. This figure is adjusted, £ for £ up or down, according to performance against the target, but is capped at a maximum of £200,000.

QLM have been industry leaders in developing standards in partnership with professional bodies such as the Institute of Sport and Recreational Management, and offer a number of assessment verification services. A particular strength is the company's QLM Leisuresafe brand that provides certification and accreditation within the sport, leisure and hospitality industry.

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 have been extended until 31 March 2011.

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. Note that revenues for safety training courses and general consultancy assignments are usually credited to the company generating the sale. It is sometimes the case that the consultant delivering the work is not from the same subsidiary and Group policy is not to cross-charge for such services. For that reason, reference should be made to the Group's overall performance rather relying upon direct comparisons at subsidiary level.

Personnel Health and Safety Consultants Limited
Sales of £978,500, yielding a profit of £418,500.

In the previous year there were sales of £1.08 million and a profit of £518,000.

RSA Environmental Health Limited
Sales of £650,500, yielding a profit of £6,300.

In the previous year there were sales of £802,000 and a loss of £29,000.

Adamson's Laboratory Services Limited
Sales of £2.45 million yielding a profit of £390,000.

In the previous year there were sales of £2.60m, yielding a profit of £410,000.

Envex Company Limited
Sales of £190,000, yielding a profit of £28,500.

In the previous year there were sales of £225,000 and a profit of £9,000.

In House The Hygiene Management Company Limited
Sales of £189,500 yielding a profit of £45,500.

In the previous year there were sales of £233,000 and a profit of £10,000.

Inspection Services (UK) Limited
Sales of £270,000, yielding a profit of £20,000.

In the previous year there were sales of £128,000, yielding a profit of £33,000 for the six-month period from the date of acquisition. Note that the relatively high profit figure arose due to a change in accounting treatment and was not representative of normal margins.

Quality Leisure Management Limited
Sales of £203,000, yielding a profit of £40,000 in the three months following acquisition.

In the company's previous full year under private ownership it reported revenues of £785,000 and profits of £186,000.

Dividend

The Board is proposing a final dividend of 0.90p per ordinary share to be paid on 24 September 2010 to shareholders on the register as at 27 August 2010.

The Year Ahead

Much of the Group's work relates to regulatory compliance, but we do not expect to escape the effect of the widely-publicised 25% reduction to most areas of Government spending. Each of our subsidiaries has been asked to make its own assessment of how it may be impacted by cuts in the public sector, and whether new opportunities may arise. The general consensus is that whilst revenues from these sources will inevitably be squeezed, the overall consequences are more likely to be seen indirectly. Group clients who rely heavily upon public sector funding may find themselves less able to finance their own compliance needs.

Last year we set ourselves a target of trying to maintain revenues at a similar level to the previous year. We narrowly failed to achieve this but managed to improve profitability which is a more important statistic. Our objective for the year ahead is to continue to integrate subsidiaries and exploit cross-selling opportunities. We will work on expanding the client base, particularly in the private sector. We will remind clients that whilst prudence is both necessary and appropriate, meeting occupational health and safety obligations cannot be compromised for financial reasons.

Our Adamson' Laboratory Services subsidiary is investing around £20,000 in new IT equipment and software to enable it to become more efficient, and hopes to recover the outlay by spending less on ongoing support and maintenance.

Our subsidiaries RSA Environmental Health Limited (RSA) and In House The Hygiene Management Company Limited (In House) have merged with effect from 1 April 2010. This is a practical step as both were under the same management and both are based at the Raunds location. In House will function as a trading division of RSA. There will be some savings relating to accountancy but operationally there is little change.

With substantial cash reserves and no debt, we are not reliant upon external funding and have more than enough resources to meet our foreseeable obligations. However, we do not underestimate the challenges ahead.

AGM

The Annual General Meeting will be held on 9 September 2010 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR at 10:00am.

Stephen King
Group Chief Executive

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2010**

	31.3.10 £'000	31.3.09 £'000
Non-Current Assets		
Property, plant and equipment	839	847
Goodwill	3,257	2,734
	<u>4,096</u>	<u>3,581</u>
Current Assets		
Inventories	2	-
Trade and other receivables	1,781	1,508
Cash and cash equivalents	710	843
	<u>2,493</u>	<u>2,351</u>
Total Assets	6,589	5,932
Current Liabilities		
Trade and other payables	863	671
Financial liabilities	-	9
Current tax liabilities	174	31
Short term provisions	250	75
	<u>1,287</u>	<u>786</u>
Non-Current Liabilities		
Trade and other payables	-	2
Financial liabilities	-	75
Long term provisions	100	-
Deferred tax liabilities	75	74
	<u>175</u>	<u>151</u>
Total Liabilities	1,462	937
Net Assets	<u>5,127</u>	<u>4,995</u>
Equity		
Called up share capital	1,038	1,107
Share premium account	1,497	1,488
Revaluation reserve	194	197
Capital redemption reserve	144	64
Retained earnings	2,254	2,139
	<u>5,127</u>	<u>4,995</u>

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010**

	31.3.10	31.3.09
	£'000	£'000
Revenue	4,922	5,022
Cost of sales	2,583	2,732
Gross profit	<u>2,339</u>	<u>2,290</u>
Administrative expenses	1,840	1,844
Other income	2	2
Operating profit	<u>501</u>	<u>448</u>
Interest receivable and similar income	-	32
Interest payable and similar charge	1	8
Profit for the year before taxation	<u>500</u>	<u>472</u>
Corporation tax expense	158	146
Profit for the financial year on continuing operations	<u>342</u>	<u>326</u>
Profit attributable to:		
Owners of parent	<u>342</u>	<u>326</u>
Earnings per share for profit on continuing operations attributable to the owners of the Group during the year		
Basic	3.21p	2.89p
Diluted	3.16p	2.85p

**GROUP STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED
31 MARCH 2010**

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total Equity £
Balance at 1 April 2008	1,152	1,488	19	200	2,034	4,893
Total comprehensive income for the year					326	326
Dividends					(97)	(97)
Purchase of own shares	(45)		45		(127)	(127)
Depreciation on revalued assets				(3)	3	-
Balance at 31 March 2009	1,107	1,488	64	197	2,139	4,995
Balance at 1 April 2009	1,107	1,488	64	197	2,139	4,995
Total comprehensive income for the year					342	342
Dividends					(90)	(90)
Issue of shares	11	9				20
Purchase of own shares	(80)		80		(140)	(140)
Depreciation on revalued assets				(3)	3	-
Balance at 31 March 2010	1,038	1,497	144	194	2,254	5,127

**GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	Note	31.3.10 £'000	31.3.09 £'000
Cash flows from operating activities:			
Cash generated from operations	I	554	422
Interest paid		(1)	(8)
Tax paid		(61)	(358)
Net cash generated from operating activities		492	56
Cash flows from investing activities			
Purchase of property, plant and equipment		(11)	(89)
Purchase of subsidiary companies (net of cash acquired)		(320)	(229)
Interest received		-	32
Net cash used in investing activities		(331)	(286)
Cash flows from financing activities			
Repayment of borrowings		(84)	(6)
Dividends paid to group shareholders		(90)	(97)
Shares issued for cash		20	-
Purchase of own shares		(140)	(127)
Net cash used by financing activities		(294)	(230)
Net decrease in cash and cash equivalents		(133)	(460)
Cash and cash equivalents at beginning of year		843	1,303
Cash and cash equivalents at end of year		710	843

**NOTE TO THE GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	31.3.10 £'000	31.3.09 £'000
I. CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	501	448
Depreciation and amortisation charges	82	84
Loss on sale of fixed assets	1	1
(Increase)/decrease in stock and work in progress	(2)	3
Increase in debtors	(38)	(93)
Increase/(decrease) in creditors	10	(21)
Cash generated from operations	554	422

**NOTE TO THE PRELIMINARY RESULTS ANNOUNCEMENT OF PHSC PLC
FOR THE YEAR ENDED 31 MARCH 2010**

The financial information set out above does not constitute the Group's financial statements for the years ended 31 March 2010 or 2009, but is derived from those financial statements. Statutory financial statements for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Group's annual general meeting. The auditors have not yet reported on the 2010 financial statements.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement are consistent with those in the full financial statements that have yet to be published. The preliminary results for the year ended 31 March 2010 were approved by the Board of Directors on 13 July 2010.

For further information please contact:

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