

13 June 2011

PHSC PLC

**Preliminary Announcement of Results
for the year ended 31 March 2011**

Highlights:

- EBITDA of £0.378m, down from £0.583m
- Group revenues at £4.874m compared with £4.922m last year
- Cash reserves rise to £0.749m
- Group net assets rise to £5.27m from £5.13m
- Basic earnings per share of 2.33p down from 3.21p
- Proposed final dividend of 2.00p comprising of ordinary dividend of 1.00p and a special dividend of 1.00p per share (2010: 0.90p)

Group Chief Executive's Review

At the conclusion of what has been a difficult year for the Group, I am pleased to present my review of our financial performance and what we are doing to preserve shareholder value. The contribution of each subsidiary is outlined, along with details of the more significant activities that we have been involved in. The final part of this review is concerned with our future expectations and the difficulty of forecasting revenues in the current economic environment.

General Overview

Revenue and profit

Overall Group revenues saw a reduction of around £48,000 over the period, generating EBITDA of £378,400. With that figure standing at £106,300 at the time of the interims, a strong second half performance saw annual earnings of more than three times that amount. This improvement in fortunes is partly caused by a high volume of invoices traditionally being raised in February and March each year, curbing work in progress and meeting customers' budgetary needs.

Costs

Management at all subsidiaries continues to look at all opportunities to reduce costs, where this can be accomplished without detriment to quality or performance. After offsetting savings made across the Group, costs for the year rose by a net £130,000. This reflects a full year's ownership of Quality Leisure Management Limited (QLM), purchased on 31 December 2009.

Having frozen staff salaries across the Group in 2009/10, a decision was taken to award a general 2% cost-of-living increase in July 2010 to all employees below director level at each subsidiary.

Mindful of the overhead associated with running the parent company, my fellow board directors and I elected to freeze our own pay. Further, we have all agreed to reduce our remuneration in 2011/12 such that there will be an overall saving of £12,000 from main board salaries. In particular I must thank our non-executive directors for their understanding and wholehearted co-operation with this initiative.

Recent and Proposed Acquisitions

In accordance with our obligation under the share purchase agreement, a stage payment of £250,000 was made to the former owners of QLM on 31 December 2010, being the first anniversary of the acquisition. This was funded from our existing cash resources. The agreement provides for a final payment of £100,000 to be made on 31 December 2011. The final payment will be adjusted, £ for £ up or down according to a performance formula, and we expect the eventual figure to be lower than that provided for.

Following a dispute about asset values with the former owner of Inspection Services (UK) Limited, purchased in October 2008, we commenced legal proceedings. This led to an out-of-court settlement whereby the board accepted £31,000 including a cash sum of £20,000 and forfeiture of £11,000 held to the seller's account. After legal costs the net benefit was £17,000. We have also released the provision for a profit-related payment of £25,000 to the seller as targets were not met, and each party has agreed that the matter is now concluded.

The Group is not actively seeking further acquisitions, but responds to opportunities as they arise. Two potential targets have been evaluated to date in 2011 but no formal offers were made due to unrealistic vendor expectations in one case and an insufficiently robust order book in the other.

Corporate Structure

There has been no change to the structure. In addition to myself, Nicola Coote is an executive director. Our two non-executive directors are 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 2012. Our chartered secretary, Lorraine Young, supports the board and its committees. The corporate resource is strengthened by the presence of our group accountant, Candy Wilton.

In my Interim Statement, I explained that the corporate overhead had increased and the board was looking to see where savings could be made. I stated that certain costs are an inevitable result of our AIM listing and of the infrastructure necessary to meet our compliance obligations. Some shareholders subsequently questioned whether this statement was a precursor to leaving AIM, with mixed opinions as to how they would regard such a move.

For the avoidance of doubt, the board is presently comfortable with the existing trading platform. Whilst we note that our shares trade well below what we deem to be a more appropriate value, we do not anticipate any changes in the short term and remain committed to our AIM listing. We continue to look at measures to reduce costs, as evidenced by the cut to directors' pay mentioned earlier, and will continue to review each area of expense including registrar services.

Employees

The board is grateful for the support of workers at all subsidiaries, especially those directly affected by cost-saving measures. A small number of employees have seen reductions in their working week, or workloads rising as a result of non-replacement of leavers. The board is committed to do whatever it reasonably can to preserve and protect the livelihoods of those it employs, recognising that they are the lifeblood of the company.

Regulatory review

A Government-commissioned report produced by Lord Young in October 2010 was entitled "Common sense - Common safety". It was intended to reduce the burdens associated with safety compliance on business, and to address the compensation culture. One recommendation led to the setting up of the Occupational Safety and Health Consultants Register. This is designed to make it easier for clients to source competent advisors, and to give more status to qualified practitioners such as those employed by Group subsidiaries. The majority of relevant personnel within the Group are now registered.

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 example, a £22,000 sale by Envex was delivered by Adamson's Laboratory Services at a cost of around £17,000. For that reason, reference should be made to the Group's overall performance rather than attempting to make direct comparisons at subsidiary level.

Personnel Health and Safety Consultants Limited

Sales of £927,500, yielding a profit of £379,000.

In the previous year there were sales of £978,500 and a profit of £418,000.

RSA Environmental Health Limited

Sales of £661,500, yielding a profit of £16,500.

In the previous year there were combined sales of £840,000 for RSA and In-House The Hygiene Management Company (now a division of RSA), and a combined profit of £51,500.

Adamson's Laboratory Services Limited

Sales of £2.09 million yielding a profit of £160,000.

In the previous year there were sales of £2.45 million, yielding a profit of £340,500.

Envex Company Limited

Sales of £177,000, yielding a profit of £53,500.

In the previous year there were sales of £190,000 and a profit of £28,500.

Inspection Services (UK) Limited

Sales of £246,500, yielding a profit of £18,500.

In the previous year there were sales of £272,000, yielding a profit of £20,000.

Quality Leisure Management Limited

Sales of £766,000, yielding a profit of £109,000

In the previous year, the company had sales of £203,000, yielding a profit of £40,000. This represented a three-month period following acquisition.

Net Asset Value

As at 31 March 2011, the Company had net assets of £5.273m. There were 10,381,973 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 50.78p. At 17.5 pence per share, the Ordinary Shares of the Company are currently trading at a discount of approximately 65% to the net asset value.

Dividend

The board is proposing a final dividend of 1.00p per ordinary share.

The Group has a strong and increasing cash balance. This stood at around £749,000 at year-end. In the absence of any immediate call upon the majority of these reserves, the board also proposes a special additional dividend of 1.00p per ordinary share.

Subject to approval at the Annual General Meeting, the above total dividend of 2.00p per ordinary share will be paid on 23 September 2011 to shareholders on the register as at 26 August 2011.

Prospects

Increasingly we are finding that some competitors are grossly underpricing work, sometimes to the extent that the quality of their service will inevitably be compromised. The current policy for buyers, particularly in the public sector, to award contracts to the lowest price bidder without considering how the provider can possibly deliver the service effectively is shortsighted and will ultimately prove counterproductive. PHSC plc has always prided itself on the amount of repeat business and new work arising from recommendation. We continue to believe that the best long-term strategy is to deliver a good quality service at a fair price. Our subsidiaries are each exploring ways of adding value to what they provide, and the development of new services.

At a time when we have limited opportunity to increase revenue from traditional sources, we must focus on controlling and eliminating costs to the best of our ability. Much has been achieved in this respect but there are further steps that we will be exploring. Our subsidiaries are finding it extremely difficult to forecast future demand for their services, and this uncertainty makes it hard to plan with any degree of confidence. However, much of our business is compliance-based and to that extent there will always be a demand.

The board expects that revenues for 2011/12 will be broadly similar to those for the previous year, but that concerted efforts to cut costs will bear fruit. Based on current expectations we anticipate an increase of up to 10% in annual profits. Nevertheless, we are mindful that unexpected fluctuations in demand will impact upon this projection.

Our very strong cash balance, even after allowing for the enhanced dividend payment the board is recommending, gives us a substantial advantage over the majority of our competitors. This can only be a very positive factor in the long-term outlook for our company.

Stephen King

Group Chief Executive

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	31.3.11 £'000	31.3.10 £'000
Non-Current Assets		
Property, plant and equipment	817	839
Goodwill	3,315	3,257
Deferred tax asset	1	5
	<u>4,133</u>	<u>4,101</u>
Current Assets		
Inventories	2	2
Trade and other receivables	2,320	1,781
Cash and cash equivalents	749	710
	<u>3,071</u>	<u>2,493</u>
Total Assets	7,204	6,594
Current Liabilities		
Trade and other payables	1,694	863
Current tax liabilities	56	174
Short term provisions	100	250
	<u>1,850</u>	<u>1,287</u>
Non-Current Liabilities		
Long term provisions	-	100
Deferred tax liabilities	81	80
	<u>81</u>	<u>180</u>
Total Liabilities	1,931	1,467
Net Assets	<u>5,273</u>	<u>5,127</u>
Equity		
Called up share capital	1,038	1,038
Share premium account	1,497	1,497
Revaluation reserve	191	194
Capital redemption reserve	144	144
Retained earnings	2,403	2,254

	<u>5,273</u>	<u>5,127</u>
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011	31.3.11	31.3.10
	£'000	£'000
Revenue	4,874	4,922
Cost of sales	2,636	2,583
Gross profit	<u>2,238</u>	<u>2,339</u>
Administrative expenses	1,917	1,840
Other income	6	2
Operating profit	<u>327</u>	<u>501</u>
Interest receivable and similar income	1	-
Interest payable and similar charge	-	1
Profit for the year before taxation	<u>328</u>	<u>500</u>
Corporation tax expense	89	158
Profit for the financial year on continuing operations	239	342
Profit attributable to:		
Owners of parent	<u>239</u>	<u>342</u>
Earnings per share for profit on continuing operations attributable to the owners of the Group during the year		
Basic	2.33p	3.21p
Diluted	2.32p	3.16p

**GROUP STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED
31 MARCH 2011**

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total Equity £
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
Balance at 1 April 2010	1,038	1,497	144	194	2,254	5,127
Total comprehensive income for the year	-	-	-	-	239	239
Dividends	-	-	-	-	(93)	(93)
Depreciation on revalued assets	-	-	-	(3)	3	-
Balance at 31 March 2011	1,038	1,497	144	191	2,403	5,273

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011	Note	31.3.11 £'000	31.3.10 £'000
Cash flows from operating activities:			
Cash generated from operations	I	616	554
Interest paid		-	(1)
Tax paid		<u>(203)</u>	<u>(61)</u>
Net cash generated from operating activities		<u>413</u>	<u>492</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(33)	(11)
Purchase of subsidiary companies (net of cash acquired)		(250)	(320)
Disposal proceeds		1	-
Interest received		<u>1</u>	<u>-</u>
Net cash used in investing activities		<u>(281)</u>	<u>(331)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(84)
Dividends paid to group shareholders		(93)	(90)
Shares issued for cash		-	20
Purchase of own shares		<u>-</u>	<u>(140)</u>
Net cash used by financing activities		<u>(93)</u>	<u>(294)</u>
Net decrease in cash and cash equivalents		39	(133)
Cash and cash equivalents at beginning of year		<u>710</u>	<u>843</u>
Cash and cash equivalents at end of year		<u>749</u>	<u>710</u>

NOTE TO THE GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2011	31.3.11 £'000	31.3.10 £'000
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