

## GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

for the six months ended 30 September 2008

### Financial Highlights

- Group turnover (consolidated) for the period is £2.401m compared with £2.518m for the same period last year, representing a decline of 4.5%
- Group profit before tax provision and goodwill impairment has reduced to £231,000 from £364,000 for the same period last year.
- Diluted earnings per share at the interim stage are 1.04p compared with 2.14p achieved in the corresponding period last year.
- A total of 170,000 Ordinary Shares in PHSC plc were purchased and cancelled in the period at cost of £64,000.
- Net cash outflow from operating activities was £188,000 (£479,000 inflow in the same period last year). This includes payment of corporation tax of £231,000 resulting from the requirement for quarterly instalments for the first time. After payment of dividends (£97,000), purchase of own shares (£64,000), purchase of our Raunds premises (£74,500), there was a £412,000 net decrease in cash. This resulted in cash reserves standing at £892,000 at the end of the period.

### Corporate review

Post balance sheet events

Share purchase

In October 2008, 275,000 Ordinary Shares in PHSC plc were purchased at 23p each and were cancelled.

Acquisitions

We previously announced the proposed acquisition of two companies: Inspection Services (U.K.) Limited and Aquatic Water Services Limited.

Completion of the purchase of Inspection Services (U.K.) Limited took place on 1 October 2008. 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 purchase price was £180,000 was paid in cash on completion. Cash assets of £136,000 were purchased £ for £. Net non-cash assets, mainly short-term debtors £ for £, were purchased at fair value of £25,200. An additional £25,000 becomes due to the sellers 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.

Discussions relating to the acquisition of Aquatic Water Services Limited (AWS) are continuing.

Our board is adopting a cautious approach in the current economic climate and in the short term we believe that shareholders' interests may be better served by us conserving our cash resources. AWS 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.

#### **Performance by Trading Subsidiaries**

Profit figures for individual subsidiaries are stated before tax and management charges.

##### **Adamson's Laboratory Services Limited**

Invoiced sales of £1,273,687 yielding a profit of £236,680 (the figures for the same period last year were £1,407,317 and £277,838).

##### **Envex Company Limited**

Invoiced sales of £121,029 yielding a profit of £28,471 for the period (the figures for the same period last year were £123,818 and £6,874).

##### **Personnel Health and Safety Consultants Limited**

Invoiced sales of £509,016 yielding a profit of £236,881 (the figures for the same period last year were £508,377 and £255,637).

##### **RSA Environmental Health Limited**

Invoiced sales of £377,673 yielding a loss of £31,203 (the figures for the same period last year were £479,266 and a profit of £29,091).

##### **In-House The Hygiene Management Company Limited**

Invoiced sales of £131,331 yielding a profit of £7,855. There are no comparable figures for last year as the company was not part of the Group at that time.

#### **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**

The Group's diverse client base leaves it well-placed to cope with the economic downturn and predicted recession in the UK economy. Aside from a small mortgage on one of its properties, the Group has no borrowings and does not utilise its overdraft facility. Cash balances at the bank are more than sufficient to ensure that restrictions on the availability and cost of finance will have no direct effect.

**Stephen King – Group Chief Executive Officer**

**Consolidated income statement**

	Note	Six months ended 30 Sept 08 Unaudited £'000	Six months ended 30 Sept 07 £'000	Year ended 31 Mar 08 £'000
<b>Continuing operations</b>				
Revenue		2,401	2,518	5,078
Cost of sales		1,258	1,374	2,721
<b>Gross profit</b>		1,143	1,144	2,357
Other income		1	1	1
Administrative expenses		(935)	(792)	(1,637)
Administrative expenses - exceptional item		(27)	-	-
<b>Operating profit</b>		182	353	721
Finance income		25	22	56
Finance costs		(3)	(11)	(20)
<b>Profit before taxation</b>		204	364	757
Corporation tax expense		(83)	(111)	(236)
<b>Profit for the period on continuing operations</b>		121	253	521
Attributable to:				
Equity holders of the Group		121	253	521
<b>Earnings per share for profit from continuing operations attributable to the equity holders of the Group during the period</b>	3			
Basic		1.05p	2.17p	4.48p
Diluted		1.04p	2.14p	4.42p

**Consolidated balance sheet**

	Note	30 Sept 08 Unaudited £'000	30 Sept 07 Restated £'000	31 Mar 08 Restated £'000
<b>Non-current assets</b>				
Property, plant and equipment	2	861	823	807
Goodwill		2,566	2,253	2,585
		<u>3,427</u>	<u>3,076</u>	<u>3,392</u>
<b>Current assets</b>				
Inventories		2	2	2
Trade and other receivables		1,429	1,135	1,287
Cash and cash equivalents		892	1,547	1,303
		<u>2,323</u>	<u>2,684</u>	<u>2,592</u>
<b>Total assets</b>		<b>5,750</b>	<b>5,760</b>	<b>5,984</b>
<b>Current liabilities</b>				
Trade and other payables		510	410	551
Financial liabilities		5	83	4
Current corporation tax payable		87	347	238
Short term provisions		80	-	80
		<u>682</u>	<u>840</u>	<u>873</u>
<b>Non-current liabilities</b>				
Financial liabilities		82	148	85
Long-term provisions		50	-	50
Deferred taxation liabilities		82	91	83
		<u>214</u>	<u>239</u>	<u>218</u>
<b>Total liabilities</b>		<b>896</b>	<b>1,079</b>	<b>1,091</b>
<b>Net assets</b>		<b><u>4,854</u></b>	<b><u>4,681</u></b>	<b><u>4,893</u></b>
<b>Capital and reserves attributable to equity holders of the Group</b>				
Called up share capital		1,135	1,166	1,152
Share premium account		1,488	1,463	1,488
Revaluation reserve		199	203	200
Capital redemption reserve		36	5	19
Retained earnings		1,996	1,844	2,034
		<u>4,854</u>	<u>4,681</u>	<u>4,893</u>

## Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
<b>Balance at 1 April 2007</b>	1,166	1,463	6	202	1,684	4,521
Profit for the period attributable to equity holder	-	-	-	-	253	253
Dividends	-	-	-	-	(93)	(93)
<b>Balance at 30 September 2007</b>	<u>1,166</u>	<u>1,463</u>	<u>6</u>	<u>202</u>	<u>1,844</u>	<u>4,681</u>
<b>Balance at 1 April 2008</b>	1,152	1,488	19	200	2,034	4,893
Profit for the period attributable to equity holder	-	-	-	-	121	121
Dividends	-	-	-	-	(97)	(97)
Purchase of own shares	(17)	-	17	-	(63)	(63)
Depreciation on revalued assets	-	-	-	(1)	1	-
<b>Balance at 30 September 2008</b>	<u>1,135</u>	<u>1,488</u>	<u>36</u>	<u>199</u>	<u>1,996</u>	<u>4,854</u>

**Consolidated cash flow statement**

	Six months ended 30 Sept 08 Unaudited £'000	Six months ended 30 Sept 07 £'000	Year ended 31 Mar 08 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	46	490	897
Interest paid	(3)	(11)	(20)
Tax paid	(231)	-	(245)
Net cash (used in)/generated from operating activities	<u>(188)</u>	<u>479</u>	<u>632</u>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment	(78)	(31)	(42)
Purchase of subsidiary companies	(7)	(159)	(382)
Interest received	25	22	57
Net cash used in investing activities	<u>(60)</u>	<u>(168)</u>	<u>(367)</u>
<b>Cash flows used in financing activities</b>			
Repayments of borrowings	(4)	(140)	(281)
Dividends paid to group shareholders	(97)	(93)	(93)
Purchase of own shares	(63)	-	(56)
Net cash used in financing activities	<u>(164)</u>	<u>(233)</u>	<u>(430)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(412)	78	(165)
Cash and cash equivalents at beginning of year	1,304	1,469	1,469
<b>Cash and cash equivalents at end of year</b>	<u>892</u>	<u>1,547</u>	<u>1,304</u>

**Notes to the cash flow statement**

Cash generated from operations			
Operating profit - continuing operations	182	353	720
Goodwill impairment	27	-	-
Depreciation	24	29	54
(Increase)/decrease in trade and other receivables	(142)	202	136
(Decrease)/increase in trade and other payables	(45)	(94)	(13)
Cash generated from operations	<u>46</u>	<u>490</u>	<u>897</u>

## Notes on the financial statements

- 1 The financial information for the six months ended 30 September 2008 and the six months ended 30 September 2007 have not been audited. As permitted, the Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing this interim financial information.

The unaudited financial information comprises the consolidated interim balance sheets as at 30 September 2008 and 30 September 2007 and the related consolidated interim statements of income, changes in equity and cash flows and related notes for the six months then ended (hereinafter referred to as the "financial information").

The financial information, including the comparative figures for the year ended 31 March 2008, do not constitute statutory financial statements for the purposes of Section 240 of the Companies Act 1985. A copy of the statutory financial statements for the year ended 31 March 2008, 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, has been delivered to the Registrar of Companies and contained an unqualified auditors' report in accordance with Section 235 of the Companies Act 1985.

The interim financial information has been prepared in accordance with the recognition and measurement requirements of IFRS as endorsed by the European Union. The Directors do not consider that there are any significant changes to the Group's accounting policies (as set out in the 2008 Annual Report) other than those resulting from the adoption of IFRS.

	30 Sept 08 Unaudited £'000	30 Sept 07 Unaudited £'000	31 Mar 08 Audited £'000
<b>2 Property, plant and equipment</b>			
<b>Cost or valuation</b>			
Brought forward	1,052	1,008	1,008
Additions	78	31	42
Acquisition of subsidiary	-	-	2
Carried forward	<u>1,130</u>	<u>1,039</u>	<u>1,052</u>
<b>Depreciation</b>			
Brought forward	245	191	191
Charge	24	25	54
Carried forward	<u>269</u>	<u>216</u>	<u>245</u>
<b>Net book value</b>	861	823	807

## Notes on the financial statements

## 3 Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

<b>Earnings</b>	30 Sept 08 £'000 unaudited	30 Sept 07 £'000 unaudited	31 Mar 08 £'000
Continuing activities	121	253	521
<b>Number of shares</b>	30 Sept 08	30 Sept 07	31 Mar 08
Weighted average number of shares for the purpose of basic earnings per share	11,487,085	11,657,296	11,626,677
Effect of dilutive warrants	163,373	163,373	163,373
Weighted average number of shares for the purpose of diluted earnings per share	<u>11,650,458</u>	<u>11,820,669</u>	<u>11,790,050</u>