

PHSC plc

COMPANY INFORMATION

DIRECTORS: S A King
N C Coote
G N Webb MBE
M J L Miller

SECRETARY: L E Young

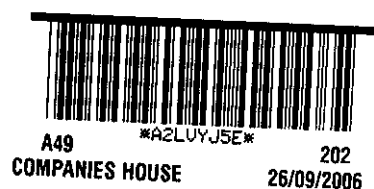
REGISTERED OFFICE: The Old Church
31 Rochester Road
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Kent
ME20 7PR

REGISTERED NUMBER: 4121793 (England and Wales)

AUDITORS: CLB Littlejohn Frazer
Chartered Accountants & Registered Auditors
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SOLICITORS: Gullands
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REGISTRARS: Capita IRG plc
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PHSC plc

MANAGING DIRECTOR'S REVIEW

for the year ended 31 March 2006

At the conclusion of a highly eventful year for PHSC plc, I report on the performance of the company, activities that have taken place during the period, and prospects for the future.

PHSC plc left OFEX and moved to AIM at the beginning of July 2005. In consequence the group's corporate team was strengthened, and new systems and procedures were put in place. This enables us to comply with the more exacting disciplines required in a growing company, and to conform to the accepted standards of corporate governance for an AIM-listed company.

Two very different acquisitions were made, each filling a gap in the range of consultancy and advisory services offered by the group. The full benefits to the group arising from these acquisitions will take time to feed through, and involve cost savings as well as cross-selling opportunities.

As I explained in my interim report, the group now has in place a robust corporate framework. Our trading subsidiaries are well-placed to exploit opportunities for the provision of health, safety and environmental solutions across the UK.

Following the acquisition by PHSC plc of Adamson's Laboratory Services Ltd (ALS), we were pleased to announce its biggest contract received to date, from the London Borough of Lewisham for a minimum of £332,000 over three years. Our subsidiary Personnel Health & Safety Consultants Ltd entered into a new and improved contract with The Go-Ahead Group plc worth a minimum of £345,000 over a three-year period and to be supplemented with other ad hoc services as required. In April, ALS was awarded a contract worth £100,000 by the London Borough of Southwark and was appointed by Telent plc to commence a programme of asbestos assessment surveys on East Midlands motorways and associated assets. The total value of this contract could exceed £350,000.

Costs of AIM

One-off costs of the transition to AIM, including costs in respect of the share issue were £185,000, which have been offset against the share premium account. This has of course resulted in a corresponding reduction in net assets.

Acquisitions

The group now comprises four trading companies.

The group acquired Adamson's Laboratory Services Limited (ALS) in June 2005, shortly before the move to AIM. This represents our largest acquisition to date, and was funded by £1.31 million in cash plus £100,000 in ordinary shares of PHSC plc at 62.5p each. Further instalments of £125,000 and £100,000 cash are payable on the first and second anniversaries of the purchase respectively. The purchase price included net assets of around £440,000 of which £175,000 is the value of the freehold premises as at the date of acquisition.

ALS provides mainly asbestos management services to a number of institutions, local authorities and private sector organisations. Clients include housing associations, universities and oil companies.

In August 2005 we acquired Health & Safety Click Ltd (HSCL). HSCL delivers a low cost health and safety protection and advisory service via a web based system in order for smaller organisations to become compliant with health and safety standards. This is a more speculative venture for PHSC plc in an area of business where the group had no representation. We are committed to make an injection of up to £75,000 into HSCL for working capital purposes, and have also made a payment of £50,000 to eliminate the directors' loan account. Former shareholders of HSCL are entitled to 50% of any net profits of HSCL for the three years ending 31 March 2008.

Institutional Investment

In June 2005 we raised £650,000 before expenses by placing 1,250,000 new ordinary shares at 52p per share with clients of M.D. Barnard & Co Ltd.

PHSC plc

MANAGING DIRECTOR'S REVIEW *(continued)* *for the year ended 31 March 2006*

Financial Review

There was a net cash outflow of £321,000 in the year, fully accounted for by the costs of acquisitions and the underlying business continues to be cash-generative overall.

Group turnover (consolidated) for the period is £3.7 million (2005: £2.2 million). Pre-tax profits before adjustments for the effect of goodwill were £571,000. After allowing £160,000 for charges against the value of goodwill, the pre-tax profits were £411,000 (2005: £476,000). It is worth noting that the reduction in goodwill value was £100,000 higher in 2005/06, thus the underlying profitability remains strong.

As stated in the interim report, group profit before tax and provisions was £137,000 in the first half of the year. The second half saw considerable progress, with a doubling of profit before tax and provisions. Post-tax earnings per ordinary share rose from 0.79p at the interim stage to 2.6p for the year. The number of ordinary shares in issue (weighted average) was 9,561,614 (2005: 7,783,784).

Corporate Structure

During the year, the group welcomed Mike Miller to the Board as a non-executive director. Mike is chair of the Audit Committee. His fellow non-executive director, Graham Webb MBE chairs the Remuneration Committee.

A Chartered Secretary, Lorraine Young, supports the Board and its committees. The corporate resource has been further strengthened by the appointment of a Chartered Accountant, Candy Wilton, as Group Accountant.

Performance by Trading Subsidiaries

Profit figures below are stated before tax, management charges and the write-down of goodwill.

Personnel Health & Safety Consultants Limited

Sales of £1.22 million, yielded a profit of £337,000 before management charges and tax.

In the previous year there were sales of £1.36 million and a profit before tax of £443,000. Note that the previous year included revenue and profit associated with asbestos surveying and all such work has been referred to ALS since the date of acquisition. Some general health and safety training and consultancy assignments have also been passed to ALS.

RSA Environmental Health Limited

Sales of £788,000 yielding a profit of £110,000 before management charges and tax.

In the previous year there were sales of £854,000 and a profit before tax of £119,000. Note that the previous year included revenue and profit associated with asbestos surveying and all such work has been referred to ALS since the date of acquisition.

Adamson's Laboratory Services Limited

Published accounts will show sales for the thirteen months 1.3.05 - 31.3.06 as £2.06 million with a profit of £314,000 before management charges. Sales in the nine and a half months post-acquisition (17.6.05) were £1.6 million, yielding a profit of £283,000.

The group inherited a factoring agreement that, together with bank interest, cost £41,000 in the year. With group assistance the company terminated the factoring arrangement and repaid its loan before the year end. This will obviously result in cost savings in the current financial year.

PHSC plc

MANAGING DIRECTOR'S REVIEW *(continued)* *for the year ended 31 March 2006*

Health & Safety Click Limited

Invoiced sales post acquisition (since 17.8.05) were £86,000, resulting in a pre-tax loss of £26,000. A term of the acquisition was that PHSC plc would provide up to £75,000 of funding. Two-thirds of the available resource was not drawn down by HSCL in the period.

Dividend

The Board is proposing a final dividend of 0.75p per ordinary share to be paid on 22 September 2006 to shareholders on the register as at 25 August 2006.

Prospects

The Board is confident that the benefits of recent acquisitions will begin to be seen in 2006/07. Although the coming year is seen as a time for consolidation, opportunities for additional suitable acquisitions will be assessed as and when they present themselves. We will work hard to maximise revenues and earnings from the existing trading subsidiaries and will explore ways to accelerate the growth and profile of the group in a logical and consistent way.

Trading has commenced well in the first two months of 2006/07, with group revenues of £698,000 in the period.

Stephen King

Managing Director

10 August 2006

PHSC plc

REPORT OF THE DIRECTORS

for the year ended 31 March 2006

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2006.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of providing, through its subsidiary companies, consultancy services and training in respect of health and safety, together with the sale of associated health and safety and other products. Further to the acquisition of Adamson's Laboratory Services Limited, asbestos related laboratory services, consultancy and training are also provided.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements. The managing director's review of the business is provided as a separate report. A review of the activities of each trading subsidiary is provided below.

Personnel Health & Safety Consultants Limited ("PHSCL")

Turnover and profits to 31 March 2006 were lower than for 2005, but that must be viewed in the context of the new group structure. Notably, all asbestos consultancy work (£100k in 2005) is now referred to Adamson's Laboratory Services Limited ("ALS") rather than being subcontracted by PHSCL to a third party. In addition there was movement of staff from PHSCL to both ALS and to RSA Environmental Health Limited in the year.

PHSCL continues to derive a substantial proportion of its income from the Appointed Safety Advisor Service whereby clients enter into a long-term contract. This income stream will generate turnover of at least £600k in the year ending 31 March 2007 and several subscribers are committed to buying additional consultancy or training time. A notable contract renewal in the period was Go-Ahead Group plc, which has a minimum value of £130k per annum to 2009.

The company has a number of part-time but long-term placements with clients including NCR, Manpower plc, St Christopher's Hospice and Westminster Abbey.

RSA Environmental Health Limited ("RSA")

The year to 31 March 2006 represented a year of consolidation for RSA. This was the second year post-acquisition and the core activity of providing environmental health professional agency staff for local authorities remained buoyant. Key contracts were re-established, most notably with Three Rivers District Council, Newark and Sherwood District Council and the London Borough of Tower Hamlets. New business continued to be a focus, with contracts being won each month. It has been encouraging to see new ongoing partnerships being forged, most notably with the Borough Council of Wellingborough, local to RSA's offices in Raunds, for whom RSA has not previously worked.

The company has begun to shift emphasis to winning new business in the more profitable health and safety, and food safety consultancy and training sectors. New clients continue to join the Environmental Health and Safety Advisor Service which generates a more regular and profitable income stream. This focus will continue in the current financial year and several new clients have joined the service since April 2006. To capitalise upon this impetus, in May 2006 RSA employed a full-time Sales and Account Manager. This role has been created to provide not only a better service to existing clients, but also to drive advisor service contract sales. This initiative, combined with the creation of new marketing material, should result in growth in this key business area.

Adamson's Laboratory Services Limited ("ALS")

ALS's main contracts include the secondment of consultants on a permanent basis and the provision of a variety of surveys to property portfolios. Audit of management procedures and policies, production of specifications, supervision of asbestos removal contracts, air sampling and provision of accredited training courses are other key areas of activity. The health and safety section continues to develop, with an encouraging increase in Occupational Hygiene and Legionella services.

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2006*

Since acquisition in June 2005, turnover has continued to grow. A number of prestigious long-term contracts have been secured including a five-year project with the London Borough of Lewisham and extensions to term contracts with London Borough of Southwark and Shell Real Estate Services. Long-term placements with Cunard on the QE2 and with the University of Cambridge continue.

ALS provides a computer-based asbestos management system ("ARMS"). The ARMS database is being developed into an internet version to be called ARMSnet and several clients are already committed to this. It is expected that this will become a profitable income stream.

The professional reputation of ALS remains high with the United Kingdom Accreditation Service awarding ALS accreditation for four-stage asbestos clearance in January 2006. Relationships continue to be developed with clients ensuring continuity of work and allowing focus on the more lucrative aspects of asbestos management and advisory services.

The current year already has a record forward order book and should result in a further increase in annual turnover for the year ended 31 March 2007.

During 2006 ALS will open a regional office in Northamptonshire, further extending the company's services.

Health and Safety Click Limited ("HSC")

The company became part of PHSC plc in August 2005 and will take time to fulfil its potential. A significant part of the cost of delivering this internet-based service relates to the construction of health and safety web sites that are personalised and branded for clients. Once each web site is in place the cost of maintenance is minimal. The future profitability of HSC will come from ongoing annual subscription and licence renewals.

The company has hitherto relied almost exclusively on targeting insurance brokers and their clients. New opportunities are now being explored outside this market. Examples include development of dedicated web site areas for care homes and for the motor vehicle repair sectors. Web-based content has been further developed to enable the product to be used in multi-site organisations, offering another potential route to market.

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The group

- has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the companies by monitoring levels of debt finance and the related finance costs;
- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts; and
- actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the group has sufficient funds for operations and planned expansions.

GOING CONCERN

The financial statements have been prepared on the going concern basis. Details are in note 1 on page 20.

EMPLOYEES

The group is ISO9001 accredited and an Investor in People.

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2006*

DIVIDENDS

No dividends were paid during the year ended 31 March 2006. The Board is proposing a final dividend of 0.75p per ordinary share to be paid on 22 September 2006 to shareholders on the register as at 25 August 2006.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
M J L Miller (appointed 1 June 2005)
G N Webb MBE

The beneficial interests of the directors in the issued share capital of the company at the beginning and end of the year were as follows:

	31.3.06 Ordinary 10p shares	1.4.05* Ordinary 10p shares
S A King	3,682,549	3,682,549
N C Coote	3,545,395	3,545,395
M J L Miller	0	0
G N Webb MBE	19,500	19,500

* or date of appointment, if later

In addition to the directors' shareholdings shown above, S A King, N C Coote and Hazell Carr Pension Services Ltd jointly hold 20,000 ordinary shares in trust for a self administered pension scheme (the PHSC Limited Death and Retirement Benefit Scheme) for S A King and N C Coote. The two directors are currently the only beneficiaries of the scheme.

There have been no changes to these interests since the end of the year.

CREDITOR PAYMENT POLICY

The company seeks to maintain good relations with all of its trading partners. In particular, it is the company's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 March 2006 the number of creditor days in respect of trade creditors was 10 (2005: 6).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £200 (2005 - nil) were made by the company during the year. The company does not make political contributions.

SUBSTANTIAL SHAREHOLDINGS

As at 8 August 2006, in addition to the directors' shareholdings disclosed above, the following persons had an interest in 3% or more in the company's issued share capital:

Name	Number of ordinary shares	Percentage of issued share capital
Marlborough UK Equity Growth Fund	350,000	3.56

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2006*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

ANNUAL GENERAL MEETING

This year's Annual General Meeting will be held at 11.00am on Tuesday 12 September at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The Notice of Meeting is set out on pages 33 and 34 of the annual report and a form of proxy is on page 35.

Details of the business to be considered at the meeting are given below.

Re-appointment of auditors (Resolution 4)

The company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. During the year, the company's existing auditors, CLB, merged with Littlejohn Frazer to form CLB Littlejohn Frazer. CLB therefore resigned as auditors of the company and the Board appointed CLB Littlejohn Frazer to fill the casual vacancy. CLB Littlejohn Frazer have indicated their willingness to continue in office and resolution 4 (of which special notice has been received under the Companies Act 1985) deals with their re-appointment. Resolution 5 authorises the directors to determine their remuneration.

PHSC plc

REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2006*

Authority of directors to allot shares (Resolutions 6 and 7)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 6 gives the directors the necessary authority for a period of five years from the date when the resolution is passed to allot securities up to an aggregate nominal amount of £517,450.

Resolution 7 empowers the directors, until the earlier of 11 December 2007 and next year's AGM, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 1,965,100 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 8 August 2006.

It is intended to renew this authority and power at each annual general meeting.

Authority for the company to purchase its own shares (Resolution 8)

Resolution 8 authorises the company, until the end of next year's AGM, to purchase in the market up to a maximum of 1,473,825 ordinary shares (equivalent to approximately 15% of the issued share capital of the company as at 8 August 2006) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately before the date of purchase.

The proposal should not be taken as an indication that the company will purchase shares at any particular price or indeed at all, and the directors will only consider making purchases if they believe that such purchases would result in an increase in earnings per share and are in the best interests of shareholders.

The authority will expire at the conclusion of the annual general meeting in 2007 or, if earlier, 15 months from the date when the resolution is passed. It is intended to renew this authority at each annual general meeting.

Voting

A form of proxy is included at the end of this document for use at the AGM. Please complete, sign and return it as soon as possible in accordance with the instructions on it, whether or not you intend to come to the AGM. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. A form of proxy should be returned so that it is received not less than 48 hours before the time of the AGM.

On behalf of the Board



L E Young
Secretary

10 August 2006

PHSC plc

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2006

As the company's shares are traded on AIM, it is not required to comply with the Combined Code on Corporate Governance. Although the directors support high standards of corporate governance, they are of the opinion that it would not be appropriate for PHSC plc to implement all of the requirements of the Combined Code at this stage in its development. The group's current system of corporate governance is summarised below.

THE BOARD AND COMMITTEES

The Board is made up of two executive directors (S A King and N C Coote) and two independent non-executive directors (M J L Miller and G N Webb MBE). It has set up an audit committee and a remuneration committee, further details of which are given below. The Board has not set up a separate nominations committee. Any matters which would normally be dealt with by such a committee will be considered by the whole Board. Copies of the schedule of matters reserved for the Board and of the terms of reference of the audit and remuneration committees are available on request.

Audit Committee

The members of the audit committee are M J L Miller (Chairman) and G N Webb. The committee deals with the appointment, terms of engagement and fees of the external auditors; the scope of the audit; review of financial statements and reports, including any changes to accounting policies or practices; review of the group's system of risk management and internal controls and compliance with applicable laws and regulations.

Remuneration Committee

The members of the remuneration committee are G N Webb (Chairman) and M J L Miller. The committee determines the terms and conditions (including the annual remuneration) of the executive directors and reviews these matters for other key executives.

DIRECTORS' REMUNERATION

The remuneration of the executive directors was as follows:

	Year ended 31.03.06 Salary	Benefits	Bonus	Total	Year ended 31.03.05 Total
S A King	£62,400	£1,008	£0	£63,408	£28,496
N C Coote	£44,300	£1,086	£0	£45,386	£34,892

No pension contributions were made in respect of the directors during the year ended 31 March 2006 (2005:£5,000)

The fees of the non-executive directors were as follows:

	Year ended 31.03.06	Year ended 31.03.05
M J L Miller (appointed 1 June 2005)	£8,333	£0
G N Webb	£18,000	£18,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board regularly reviews the risks facing the business and the internal controls which are in place to address these risks. During the year the group has undertaken an exercise where each operating subsidiary has reviewed its business and identified the key risks which it faces. As a result, plans have been put in place to deal with various contingencies which might arise. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the group are appropriate to the business.

RELATIONS WITH INVESTORS

S A King is the principal contact between PHSC plc and its investors, with whom he maintains a regular dialogue. The views of investors are communicated to the whole Board.

PHSC plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

for the year ended 31 March 2006

We have audited the Company Financial Statements (the "Financial Statements") of PHSC plc for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and associated notes, the Group Statement of total recognised gains and losses, the accounting policies and the related notes 1 to 25. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company is not disclosed.

We read the other information and consider whether it is consistent with the audited Financial Statements. This other information comprises the Managing Director's Review, Directors' Report and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

PHSC plc

Opinion

In our opinion the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and company's affairs as at 31 March 2006 and of the group's profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information in the Directors' Report is consistent with the Financial Statements.

A handwritten signature in black ink, reading 'CLB Littlejohn Frazer'.

CLB Littlejohn Frazer

Chartered Accountants and Registered Auditors

1 Park Place

Canary Wharf

London E14 4HJ

10 August 2006

PHSC plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2006

	Notes	31.3.06 £	£	31.3.05 £	£
TURNOVER	2		3,704,670		2,217,450
Continuing operations		2,012,578		1,362,489	
Acquisitions		1,692,092		854,961	
		3,704,670		2,217,450	
Cost of sales	3		1,794,199		1,037,407
GROSS PROFIT	3		1,910,471		1,180,043
Administrative expenses	3		1,515,844		718,300
Other operating income			30,175		-
OPERATING PROFIT	5		424,802		461,743
Continuing operations		258,804		343,178	
Acquisitions		165,998		118,565	
		424,802		461,743	
Interest receivable and similar income			21,296		14,369
Interest payable and similar charge	6		34,479		-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			411,619		476,112
Tax on profit on ordinary activities	7		163,268		159,835
RETAINED PROFIT FOR THE YEAR FOR THE GROUP			248,351		316,277
EARNINGS PER SHARE	9		2.60p		4.06p
DILUTED EARNINGS PER SHARE	9		2.56p		4.05p

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2006

	31.3.06 £	31.3.05 £
Profits attributable to shareholders	248,351	316,277
Unrealised surplus on revaluation of properties	104,531	-
Total gain recognised since last annual report	352,882	316,277

Notes 1 to 25 form part of these financial statements

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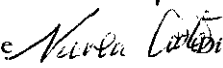
CONSOLIDATED BALANCE SHEET

31 March 2006

	Notes	31.3.06 £	£	31.3.05 £	£
FIXED ASSETS					
Intangible assets	10	2,280,337		1,104,216	
Tangible assets	11	719,497		389,417	
		<u>2,999,834</u>		<u>1,493,633</u>	
CURRENT ASSETS					
Stock and work-in-progress	13	296,771		-	
Debtors	14	688,650		406,640	
Cash at bank		487,266		808,082	
		<u>1,472,687</u>		<u>1,214,722</u>	
CREDITORS					
Amounts falling due within one year	15	<u>750,803</u>		<u>358,989</u>	
NET CURRENT ASSETS		<u>721,884</u>		<u>855,733</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES		3,721,718		2,349,366	
CREDITORS					
Amounts falling due after more than one year	16	416,956		-	
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>12,962</u>		<u>-</u>	
		<u>3,291,800</u>		<u>2,349,366</u>	
CAPITAL AND RESERVES					
Called up share capital	19	982,550		837,550	
Share premium	20	728,302		283,750	
Revaluation reserve	20	205,201		103,112	
Profit and loss account	20	<u>1,375,747</u>		<u>1,124,954</u>	
SHAREHOLDERS' FUNDS	23	<u>3,291,800</u>		<u>2,349,366</u>	

ON BEHALF OF THE BOARD:

S A King  Director

N C Coote  Director

Approved by the Board on 10 August 2006

Notes 1 to 25 form part of these financial statements

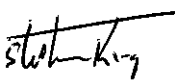
PHSC plc

COMPANY BALANCE SHEET

31 March 2006

	Notes	31.3.06 £	£	31.3.05 £	£
FIXED ASSETS					
Intangible assets	10	42,952		45,239	
Investments	12	2,814,340		1,132,876	
		<u>2,857,292</u>		<u>1,178,115</u>	
CURRENT ASSETS					
Debtors	14	239,197		462,874	
Cash at bank		178,404		270,739	
		<u>417,601</u>		<u>733,613</u>	
CREDITORS					
Amounts falling due within one year	15	627,878		50,126	
NET CURRENT (LIABILITIES)/ASSETS			(210,277)		683,487
TOTAL ASSETS LESS CURRENT LIABILITIES					
		2,647,015		1,861,602	
CREDITORS					
Amounts falling due after more than one year	16	100,000		-	
		<u>2,547,015</u>		<u>1,861,602</u>	
CAPITAL AND RESERVES					
Called up share capital	19	982,550		837,550	
Share premium	20	728,302		283,750	
Profit and loss account	20	836,163		740,302	
SHAREHOLDERS' FUNDS	23	<u>2,547,015</u>		<u>1,861,602</u>	

ON BEHALF OF THE BOARD:

S A King  Director

N C Coote  Director

Approved by the Board on 10 August 2006

Notes 1 to 25 form part of these financial statements

PHSC plc

CASH FLOW STATEMENT

for the year ended 31 March 2006

	Notes	31.3.06 £	£	31.3.05 £	£
Net cash inflow from operating activities	1	631,129		574,278	
Returns on investments and servicing of finance	2	(13,183)		14,369	
Taxation		(222,122)		(76,575)	
Capital expenditure	2	(1,632)		(67,577)	
Acquisitions and disposals	2	(1,345,251)		(302,876)	
Equity dividends paid		—		(76,124)	
		<u>(951,059)</u>		<u>65,495</u>	
Financing	2	630,243		288,660	
(Decrease)/increase in cash in the period		<u>(320,816)</u>		<u>354,155</u>	
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/increase in cash in the period		(320,816)		354,155	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(285,690)		2,640	
Loans acquired with subsidiaries		<u>(124,813)</u>		<u>—</u>	
Change in net funds resulting from cash flows		<u>(731,319)</u>		<u>356,795</u>	
Movement in net funds in the period		<u>(731,319)</u>		<u>356,795</u>	
Net funds at 1 April		<u>805,882</u>		<u>449,087</u>	
Net funds at 31 March		<u>74,563</u>		<u>805,882</u>	

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 March 2006

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.3.06 £	31.3.05 £
Operating profit	424,802	461,743
Depreciation charges	215,949	90,569
Loss on disposal of fixed assets	563	2,173
Increase in stock and work in progress	(94,771)	-
Decrease in debtors	92,812	51,299
Decrease in creditors	(8,226)	(31,506)
Net cash inflow from operating activities	631,129	574,278

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.3.06 £	31.3.05 £
Returns on investments and servicing of finance		
Interest received	21,296	14,369
Interest paid	(34,479)	-
Net cash (outflow)/inflow for returns on investments and servicing of finance	(13,183)	14,369
Capital expenditure		
Purchase of intangible fixed assets	-	(45,739)
Purchase of tangible fixed assets	(1,632)	(22,288)
Sale of tangible fixed assets	-	450
Net cash outflow for capital expenditure	(1,632)	(67,577)
Acquisitions and disposals		
Intangible fixed assets	(36,405)	(12,500)
Tangible fixed assets	(273,445)	(5,067)
Stock and work-in-progress	(202,000)	-
Trade and other debtors	(374,822)	(81,213)
Trade and other creditors	212,661	21,302
VAT, Corporation Tax and PAYE/NI	183,166	42,708
Directors loan	51,628	41,669
Other loans	124,812	-
Goodwill on acquisition	(1,305,846)	(439,775)
Amounts still owing on acquisition	175,000	50,000
Satisfied by allotment of shares	100,000	80,000
Net cash outflow for acquisitions and disposals	(1,345,251)	(302,876)
Financing		
Hire purchase - capital repayments in year	(2,200)	(2,640)
Bank overdraft	1,385	-
Loans	286,506	-
Factoring	(145,000)	-
Shares issued (for cash)	129,000	70,454
Premium on shares issued in period	545,800	239,546
Costs of placing new shares issued	(185,248)	(18,700)
Net cash inflow from financing	630,243	288,660

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE CASH FLOW STATEMENT

continued

3.

ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.05 £	Cash flow £	Non-cash movement £	At 31.3.06 £
Net cash:				
Cash at bank	808,082	(320,816)	-	487,266
	<u>808,082</u>	<u>(320,816)</u>	<u>-</u>	<u>487,266</u>
Debt				
Bank overdraft	-	(1,385)	-	(1,385)
Bank loan	-	(309,090)	(39,648)	(348,738)
Other loans	-	22,584	(85,164)	(62,580)
Hire purchase	(2,200)	2,200	-	-
	<u>(2,200)</u>	<u>(285,691)</u>	<u>(124,812)</u>	<u>(412,703)</u>
Total	<u>805,882</u>	<u>(606,507)</u>	<u>(124,812)</u>	<u>74,563</u>

4. MAJOR NON-CASH TRANSACTIONS

A certain proportion of the consideration for the acquisition of Adamson's Laboratory Services Limited during the year comprised shares as shown above.

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2006

1. ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable UK Accounting Standards. The company is exempt by virtue of Section 230 (4) of the Companies Act 1985, from the requirement to present its own profit and loss account.

Basis of consolidation

The consolidated financial statements incorporate the results of PHSC plc and all of its subsidiaries as at 31 March 2006 using the acquisition method of accounting. Under this method the results and cash flows of the subsidiary companies acquired are included in the group profit and loss account and the group cash flow statement respectively from the dates of acquisition. Fair values are attributed to the group's share of the identifiable net assets acquired.

Turnover and annual contracts

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers.

Income derived from annual contracts is recognised at the point at which a fair value can be attributed to the various components of the contract. Where it is not possible to attribute a fair value, consideration is given to whether sums received are non-refundable.

Contracts in progress

Work in progress as at 31 March 2006 has been valued in accordance with UTIF40 (Revenue Recognition and Service Contracts). Revenue has been recognised in line with contract activity and reflects the accrual to consideration as the contract activity progresses. Work-in-progress is thus valued at cost plus an appropriate proportion of the full contract value. All amounts are classified as stock and work in progress.

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and interests. It represents the excess of the cost of acquisition over the net asset values of the subsidiaries or interests acquired. In accordance with the Financial Reporting Standards (FRS 10) such goodwill is capitalised as an intangible asset and then amortised against profits in equal instalments over its estimated useful life. The expected useful life of acquired goodwill is estimated at 20 years.

Investments

In the company's financial statements investments in subsidiary undertakings are stated at cost less amounts provided for any impairment in value. An impairment review is carried out at the end of the first year in which the acquisition took place and every three years thereafter. Where the consideration for the acquisition of shares in a subsidiary undertaking is satisfied by the issue of equity shares and the provisions of Section 131 of the Companies Act 1985 apply, cost is taken as the nominal value of the shares issued together with the fair value of any other consideration given.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

1. ACCOUNTING POLICIES – continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	-	2% on cost
Improvements to property	-	10% on cost
Fixtures & Equipment	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete or slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into the replacement assets and charged only to tax where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax balances are not discounted.

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profit on a straight line basis over the period of the lease.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Going concern

United Kingdom company law requires the company's directors to consider whether it is appropriate to prepare the financial statements on the basis that the group is a going concern. In considering this matter the directors have reviewed the group's budget for 2007. This included consideration of the cash flow implications of the budget. The directors see no reason why the group and the company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the group's financial statements.

2. TURNOVER

The group has only one significant class of business and the turnover and profit before taxation are attributable to activities within the UK.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

3. ANALYSIS OF OPERATIONS

	Continuing £	31.3.06 Acquisitions £	Total £
Cost of sales	<u>1,010,122</u>	<u>784,077</u>	<u>1,794,199</u>
Gross profit	<u>1,002,456</u>	<u>908,015</u>	<u>1,910,471</u>
Administrative expenses	<u>773,827</u>	<u>742,017</u>	<u>1,515,844</u>

	Continuing £	31.3.05 Acquisitions £	Total £
Cost of sales	<u>458,323</u>	<u>579,084</u>	<u>1,037,407</u>
Gross profit	<u>904,166</u>	<u>275,877</u>	<u>1,180,043</u>
Administrative expenses	<u>560,988</u>	<u>157,312</u>	<u>718,300</u>

Certain of the amounts reported as acquisitions relate to asbestos contracts which are all undertaken by Adamson's Laboratory Services Limited. It is not possible to quantify this amount.

4. STAFF COSTS

	31.3.06 £	31.3.05 £
Wages and salaries	<u>1,675,418</u>	<u>869,205</u>
Social security costs	<u>158,666</u>	<u>91,798</u>
Sub-contractors	<u>421,983</u>	<u>376,254</u>
Other pension costs	<u>26,756</u>	<u>21,799</u>
	<u>2,282,823</u>	<u>1,359,056</u>

The average monthly number of employees during the year was as follows:

	31.3.06	31.3.05
Directors	<u>7</u>	<u>3</u>
Consultants	<u>40</u>	<u>32</u>
Administrative	<u>14</u>	<u>6</u>
	<u>61</u>	<u>41</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	31.3.06 £	31.3.05 £
Depreciation - owned assets	<u>48,964</u>	<u>29,677</u>
Depreciation - assets on hire purchase contracts	<u>-</u>	<u>2,142</u>
Loss on disposal of fixed assets	<u>563</u>	<u>2,173</u>
Goodwill amortisation	<u>166,984</u>	<u>58,750</u>
Auditors remuneration	<u>18,400</u>	<u>4,000</u>
Auditors' remuneration for non audit work	<u>4,350</u>	<u>-</u>
Operating lease charges - land & buildings	<u>5,814</u>	<u>5,814</u>
- other	<u>123,721</u>	<u>11,295</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

5. OPERATING PROFIT – continued

	31.3.06 £	31.3.05 £
Directors' emoluments	135,127	81,388
Directors' pension contributions to money purchase schemes	–	5,000

The directors' emoluments represent the amounts received by the two executive and two non-executive directors of PHSC plc. In the year ended 31 March 2006 the cost of the executive directors were reflected in Personnel Health and Safety Consultants Limited. The two non-executive directors were paid by PHSC plc.

During the year 2 (2005: 2) directors participated in a money purchase pension scheme. No (2005: £5,000) contribution was made to the scheme during the year ended 31 March 2006.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	31.3.06 £	31.3.05 £
Bank loan interest	23,749	–
Other loan interest	10,730	–
	<u>34,479</u>	<u>–</u>

7. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.3.06 £	31.3.05 £
Current tax:		
UK corporation tax	174,870	160,064
(Over) provision	(11,602)	(229)
Tax on profit on ordinary activities	<u>163,268</u>	<u>159,835</u>

UK corporation tax has been charged at 39.66% (2005 -33.57%).

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

7. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.3.06 £	31.3.05 £
Profit on ordinary activities before tax	<u>411,619</u>	<u>476,112</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	123,485	142,834
Effects of:		
Amortisation goodwill on consolidation not eligible for capital allowances	48,000	17,100
Depreciation in excess of capital allowances claimed	7,589	3,258
Disallowed expenses and adjustments	10,095	153
Marginal Relief for profits less than upper limit	(8,476)	(3,510)
Group Relief	(7,298)	-
Under/(over) provisions prior periods	(11,602)	-
Profits at 19%	(6,301)	-
Losses at 0%	7,776	-
Current tax charge	<u>163,268</u>	<u>159,835</u>

The amount of deferred tax that has not been provided on the revalued fixed assets is £77,740 (2005: £30,933). At present it is not envisaged that any tax will become payable in the foreseeable future.

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £95,861 (2005 - £354,490).

9. PROFIT PER SHARE

The profit per share is 2.60p (2005: 4.06p) and the diluted profit per share is 2.56p (2005: 4.05p).

The basic profit per share is calculated by dividing the profit on ordinary activities after tax of £248,351 (2005: £316,277) by 9,561,614 ordinary shares (2005: 7,783,784) being the weighted average number of shares in issue and carrying the right to receive a dividend during the year ended 31 March 2006.

The calculation of diluted earnings per share is based on the consolidated profit on ordinary activities after tax for the financial year of £248,351 (2005: £316,277) and on 9,709,971 ordinary shares (2005: 7,809,795), being the weighted average number of ordinary shares in issue and carrying the right to receive a dividend during the year, being 9,561,614 (2005: 7,783,784) ordinary shares diluted for the effect of 148,357 (2005: 26,011), being the weighted average number of warrants issued.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

10. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 April 2005	1,196,966
Additions	1,306,701
In subsidiaries acquired	36,405
At 31 March 2006	<u>2,540,072</u>
AMORTISATION	
At 1 April 2005	92,750
Amortisation for year	166,985
At 31 March 2006	<u>259,735</u>
NET BOOK VALUE	
At 31 March 2006	<u>2,280,337</u>
At 31 March 2005	<u>1,104,216</u>

The addition to goodwill relates to the acquisition of Adamson's Laboratory Services Limited and Health and Safety Click Limited, further details of which are set out in note 11. The goodwill is being amortised over twenty years, being the directors' estimate of its useful life. Amortisation for the year includes a £38,000 charge arising from the directors' assessment of any impairment of goodwill. At the end of the first year of acquisition, it was considered that the carrying value of the investment in Health and Safety Click should be reduced by £38,000.

Company

	Goodwill £
COST	
At 1 April 2005	45,739
Additions	-
At 31 March 2006	<u>45,739</u>
AMORTISATION	
At 1 April 2005	500
Amortisation for year	2,287
At 31 March 2006	<u>2,787</u>
NET BOOK VALUE	
At 31 March 2006	<u>42,952</u>
At 31 March 2005	<u>45,239</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

11. TANGIBLE FIXED ASSETS

Group	Freehold property £	Improvements to property £	Fixtures & Equipment £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 April 2005	324,250	3,434	111,750	71,051	510,485
Revaluation	90,750	-	-	-	90,750
Additions	-	-	1,632	-	1,632
Disposals	-	-	(1,000)	-	(1,000)
Acquisition of subsidiaries	175,000	-	98,445	-	273,445
At 31 March 2006	<u>590,000</u>	<u>3,434</u>	<u>210,827</u>	<u>71,051</u>	<u>875,312</u>
DEPRECIATION					
At 1 April 2005	12,970	1,029	75,556	31,513	121,068
Charge for year	10,843	343	27,894	9,884	48,964
Eliminated on revaluation	(13,781)	-	-	-	(13,781)
Eliminated on disposal	-	-	(436)	-	(436)
At 31 March 2006	<u>10,032</u>	<u>1,372</u>	<u>103,014</u>	<u>41,397</u>	<u>155,815</u>
NET BOOK VALUE					
At 31 March 2006	<u>579,968</u>	<u>2,062</u>	<u>107,813</u>	<u>29,654</u>	<u>719,497</u>
At 31 March 2005	<u>311,280</u>	<u>2,405</u>	<u>36,194</u>	<u>39,538</u>	<u>389,417</u>

Cost or valuation at 31 March 2006 is represented by:

	Freehold property £	Improvements to property £	Fixtures & Equipment £	Motor vehicles £	Totals £
Valuation in 2002	8,929	-	-	-	8,929
Valuation in 2003	103,112	-	-	-	103,112
Valuation in 2005	135,750	-	-	-	135,750
Cost	342,209	3,434	210,827	71,051	627,521
	<u>590,000</u>	<u>3,434</u>	<u>210,827</u>	<u>71,051</u>	<u>875,312</u>

If freehold properties had not been revalued they would have been included at the following historical cost:

	31.3.06 £	31.3.05 £
Cost	<u>342,209</u>	<u>221,138</u>

The freehold property at 31 Rochester Road, Aylesford, Kent was valued on an open market basis on 19 May 2005 by Michael Jefferys Chartered Surveyors. The freehold property at 49 Lampits Hill, Corringham, Essex was valued on an open market basis on 17 May 2005 by Messrs. Porter Glenn Chartered Surveyors.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

12. FIXED ASSET INVESTMENTS

Company

	Company Shares in group undertakings £
COST	
At 1 April 2005	1,132,876
Additions	1,681,464
At 31 March 2006	<u>2,814,340</u>
NET BOOK VALUE	
At 31 March 2006	<u>2,814,340</u>
At 31 March 2005	<u>1,132,876</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following subsidiaries:

Subsidiary Undertaking	Country of Incorporation	Holding	Proportion of voting rights held	Nature of business
Adamson's Laboratory Services Limited	England	Ordinary	100%	Health & Safety
Health & Safety Click Limited	England	Ordinary	100%	Health & Safety
Personnel Health & Safety Consultants Limited	England	Ordinary	100%	Health & Safety
RSA Environmental Health Limited	England	Ordinary	100%	Health & Safety
CounterClaim UK Limited	England	Ordinary	100%	Dormant
Personnel Health & Safety Consultants (Midlands) Limited	England	Ordinary	100%	Dormant
Personnel Health & Safety Consultants (Northern) Limited	England	Ordinary	100%	Dormant
Personnel Health & Safety Consultants (Southern) Limited	England	Ordinary	100%	Dormant

During the year the company acquired a 100% shareholding in Adamson's Laboratory Services Limited and Health and Safety Click Limited.

Adamson's Laboratory Services Limited

On 18 June 2005, 100% of the net assets of Adamson's Laboratory Services Limited were acquired. The cost of the investment was £1,670,099 and net assets of £445,941 were acquired resulting in goodwill arising of £1,224,158. The net assets are considered to be of fair value.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

12. FIXED ASSET INVESTMENTS - continued

	Book value £	Adjustments £	Fair value to Group £
Fixed assets	262,237	-	262,237
Stocks	202,000	-	202,000
Debtors	345,838	-	345,838
Bank	63,802	-	63,802
Creditors	(414,120)	-	(414,120)
Provision for liabilities and charges	(12,962)	-	(12,962)
	<u>446,795</u>	<u>-</u>	<u>446,795</u>
Goodwill arising on acquisition			<u>1,223,304</u>
			<u>1,670,099</u>
Discharged by:			
Fair value of shares issued			100,000
Cash			1,307,873
Costs associated with acquisition			37,226
Deferred consideration			<u>225,000</u>
			<u>1,670,099</u>

Adamson's Laboratory Services Limited earned a profit after tax of £249,537 in the 10 month period from 1 May 2004 to 28 February 2005. In the period from 1 March to 18 June 2005, a profit of £4,001 arose.

Health and Safety Click Limited

On 19 August 2005, 100% of the net assets of Health and Safety Click Limited were acquired. The cost of the investment was £11,365 (representing the costs associated with the acquisition only) and net liabilities of £48,472 were acquired resulting in goodwill arising of £82,543.

	Book value £	Adjustments £	Fair value to Group £
Intangible fixed assets	59,111	(22,706)	36,405
Tangible fixed assets	11,208	-	11,208
Debtors	28,172	-	28,172
Creditors	(146,963)	-	(146,963)
	<u>(48,472)</u>	<u>(22,706)</u>	<u>(71,178)</u>
Goodwill arising on acquisition			<u>82,543</u>
			<u>11,365</u>
Discharged by:			
Costs associated with acquisition			<u>11,365</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

12. FIXED ASSET INVESTMENTS - continued

The fair value adjustment was made to eliminate the goodwill on the balance sheet of Health and Safety Click Limited pertaining to IT development costs.

Health and Safety Click Limited made a loss after tax of £9,426 in the 9 month period from 1 July 2004 to 31 March 2005. In the period from 1 April to 19 August 2005, a profit of £5,726 arose.

13. STOCKS AND WORK-IN-PROGRESS

	Group		Company	
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Stocks	2,000	-	-	-
Work-in-progress	294,771	-	-	-
	<u>296,771</u>	<u>-</u>	<u>-</u>	<u>-</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Trade debtors	646,937	355,158	-	-
Amounts owed by group undertakings	-	-	239,197	429,203
Other debtors	718	6,231	-	6,171
Prepayments and accrued income	40,995	45,251	-	27,500
	<u>688,650</u>	<u>406,640</u>	<u>239,197</u>	<u>462,874</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Bank loans and overdrafts	74,176	-	-	-
Trade creditors	38,434	-	1,204	-
Amounts owed to group undertakings	-	-	425,068	-
Hire purchase contracts (see note 17)	-	2,200	-	-
Tax	182,281	160,950	36,026	-
Social security and other taxes	64,908	-	-	-
VAT	150,344	96,636	31,553	-
Other creditors	147,730	84,756	125,000	50,126
Directors' current accounts	-	47	-	-
Accrued expenses	83,824	14,400	9,027	-
Deferred income	9,106	-	-	-
	<u>750,803</u>	<u>358,989</u>	<u>627,878</u>	<u>50,126</u>

Included in 'Other Creditors' is £125,000 due in respect of the acquisition of Adamson's Laboratory Services Limited.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Bank loans	275,947	-	-	-
Other creditors	141,009	-	100,000	-
	<u>416,956</u>	<u>-</u>	<u>100,000</u>	<u>-</u>

Included in 'Other Creditors' is £100,000 due in respect of the acquisition of Adamson's Laboratory Services Limited.

The bank loans and overdrafts are secured by way of a fixed and floating charge over all of the company's and group's freehold and leasehold properties and other assets, both present and future.

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	Company	
	31.3.06	31.3.05
	£	£
Net obligations repayable:		
Within one year	<u>-</u>	<u>2,200</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Deferred taxation	<u>12,962</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Group		Company	
	Deferred tax	Deferred tax	Deferred tax	Deferred tax
	31.3.06	31.3.05	31.3.06	31.3.05
	£	£	£	£
Balance at 1 April 2005	-	-	-	-
Accelerated capital allowances	<u>12,962</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>12,962</u>	<u>-</u>	<u>-</u>	<u>-</u>

The deferred tax provision as at 31 March 2006 was acquired as part of the net assets of Adamson's Laboratory Services Limited (see note 12).

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

19. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	31.3.06 £	31.3.05 £
10,000,000	Ordinary	10p	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.3.06 £	31.3.05 £
9,825,504	Ordinary (31.3.05 - 8,375,504)	10p	<u>982,550</u>	<u>837,550</u>

The following fully paid shares were allotted during the year at a premium as shown below:

3 June 05	-	1,250,000 ordinary shares of 10p each at 52p per share
17 June 05	-	160,000 ordinary shares of 10p each at 62.5p per share
5 July 05	-	40,000 ordinary shares of 10p each at 62p per share

Warrants

On 4 July 2005 the company granted 57,692 warrants to acquire shares in the company. All of the warrants are exercisable at 44p for a period of 5 years from the date of grant.

20. RESERVES

Group

	Profit and loss account £	Share premium £	Revaluation reserve £	Totals £
At 1 April 2005	1,124,954	283,750	103,112	1,511,816
Retained profit for the year	248,351	-	-	248,351
Revaluation of freehold property	-	-	104,531	104,531
Depreciation on revalued assets	2,442	-	(2,442)	-
Issue of ordinary shares	-	629,800	-	629,800
Costs of placing new shares issued	-	(185,248)	-	(185,248)
At 31 March 2006	<u>1,375,747</u>	<u>728,302</u>	<u>205,201</u>	<u>2,309,250</u>

Company

	Profit and loss account £	Share premium £	Totals £
At 1 April 2005	740,302	283,750	1,024,052
Retained profit for the year	95,861	-	95,861
Issue of ordinary shares	-	629,800	629,800
Costs of placing new shares issued	-	(185,248)	(185,248)
At 31 March 2006	<u>836,163</u>	<u>728,302</u>	<u>1,564,465</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

21. RELATED PARTY DISCLOSURES

The company is exempt from the requirement to disclose related party transactions with other group companies under the provisions of Financial Reporting Standard Number 8. All group transactions were eliminated on consolidation.

22. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in England and Wales, is the ultimate parent company of the group. Mr SA King, managing director, is the ultimate controlling party with 37.48% of the issued share capital of PHSC plc.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	31.3.06 £	31.3.05 £
Profit for the financial year	248,351	316,277
Shares issued in holding company	145,000	87,550
Premium on shares issued	629,800	302,450
Costs of placing new shares issued	(185,248)	(18,700)
Revaluation of freehold property	104,531	-
Net addition to shareholders' funds	942,434	687,577
Opening shareholders' funds	2,349,366	1,661,789
Closing shareholders' funds	3,291,800	2,349,366
Equity interests	3,291,800	2,349,366

Company

	31.3.06 £	31.3.05 £
Profit for the financial year	95,862	354,490
Share issues (at premium)	774,800	390,000
Placing costs incurred on issue	(185,249)	(18,700)
Net addition to shareholders' funds	685,413	725,790
Opening shareholders' funds	1,861,602	1,135,812
Closing shareholders' funds	2,547,015	1,861,602
Equity interests	2,547,015	1,861,602

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

24. OPERATING LEASE AGREEMENTS

As at 31 March 2006 the group had aggregate annual commitments under non-cancellable operating leases as set out below:

	31.3.06 £	31.3.05 £
Operating leases which expire:		
Land and Buildings		
Within 1 year	5,814	-
Within 2 to 5 years	-	11,628
Other		
Within 1 year	31,881	37,424
Within 2 to 5 years	173,063	99,157

25. TREASURY POLICY AND FINANCIAL INSTRUMENTS

The group operates informal treasury policies which include continuing assessments of interest rate management and borrowing policy. The Board approves all decisions on treasury policy.

Facilities are arranged, based on criteria determined by the Board, as required to finance the long term requirements of the group. To date the group has financed its activities by the raising of funds through the placing of shares.

The group has taken advantage of the exemption permitting it not to include short term debtors and in the disclosures required by FRS 13 'Derivatives and Other Financial Instruments: Disclosure' other than the currency disclosures.

PHSC plc

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of PHSC plc will be held at 11.00am on Tuesday 12 September 2006 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

- 1 To receive the annual report and audited accounts for the year ended 31 March 2006.
- 2 To declare a final dividend of 0.75p per share.
- 3 To re-elect Mr S A King as a director.
- 4 To re-appoint CLB Littlejohn Frazer as auditors to the company (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of CLB) to hold office until the conclusion of the next general meeting at which accounts are laid before the members.
- 5 To authorise the directors to determine the auditors' remuneration.
6. THAT
 - (a) the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 80) up to a total nominal amount of £517,450 during the period commencing on the date of the passing of this resolution and expiring on 11 September 2011, but so that this authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the directors may allot relevant securities under such offers or agreements; and
 - (b) all authorities previously granted under section 80 be revoked, provided that such revocation shall not have retrospective effect.
7. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution 6 set out in this notice of meeting the directors be empowered under section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94(2) of the Act) for cash; under the authority conferred by resolution 6 above as if section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
 - (b) the allotment (otherwise than under sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £196,510.

such power to expire at the conclusion of the annual general meeting of the company in 2007 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution, unless such power is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

PHSC plc

Notice of Annual General Meeting

continued

8. THAT, the company be generally and unconditionally authorised, in accordance with section 166 of the Companies Act 1985 (the "Act"), to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 10 pence each in the capital of the company ("ordinary shares") on such terms and in such manner as the directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares authorised to be purchased shall be 1,473,825;
 - (b) the minimum price which may be paid for an ordinary share is 10 pence;
 - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
 - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the company;
 - (e) the authority conferred by this resolution shall expire at the conclusion of the annual general meeting of the company in 2007 or, if earlier, on the expiry of 15 months from the date of the passing of this resolution, unless such authority is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; and
 - (f) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

By order of the Board

L E Young
Secretary

Registered Office:
The Old Church
31 Rochester Road
Aylesford
Kent ME20 7PR

16 August 2006

Notes:

- A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote on their behalf. A proxy need not be a member of the company. The appointment of a proxy will not prevent a member from attending the meeting and voting in person.
- A form of proxy is enclosed with this document. To be valid, the form of proxy and any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited at the company's registrars, Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time of the meeting.
- Under regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders on the register of members of the company at 5.00pm on 10 September 2006 (the "**specified time**") shall be entitled to attend and vote or be represented at the meeting in respect of the shares registered in their name at that time. Changes to entries on the register of members after 5.00pm on 10 September 2006 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

The register of directors' interests in shares is available for inspection at the registered office of the company during normal business hours on any weekday and will be available at the place of the meeting from 15 minutes before it begins until its conclusion.

**Proxy form for use by holders of ordinary shares in PHSC plc
at the Annual General Meeting (AGM)
to be held on Tuesday 12 September 2006**

Please read the notice of meeting, the accompanying notes and the explanation of the business to be transacted at the AGM (contained in the directors' report) carefully before completing this form.

As a member of PHSC plc you have the right to attend, speak at and vote at the AGM. If you cannot or do not wish to attend the AGM but still want to vote you can appoint someone to attend the AGM and vote on your behalf. That person is known as a "proxy". You can use the proxy form to appoint the Chairman of the meeting or someone else, as your proxy. Your proxy does not have to be a member of the company.

I/We (FULL NAME IN BLOCK CAPITALS)

being a member(s) of PHSC plc, appoint the Chairman of the meeting or

..... (see Note 1) as my/our proxy to attend and, on a poll, to vote for me/us and on my/our behalf as indicated below at the AGM and at any adjournment (see notes 2, 3 and 4).

Please clearly mark the boxes below to instruct your proxy how to vote.

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD	AT DISCRETION
1. To receive the report and accounts	☐	☐	☐	☐
2. To declare a final dividend	☐	☐	☐	☐
3. To re-elect SA King as a director	☐	☐	☐	☐
4. To reappoint CLB Littlejohn Fraser as auditors	☐	☐	☐	☐
5. To authorise the directors to fix the auditors' remuneration	☐	☐	☐	☐
6. To authorise the directors to allot shares	☐	☐	☐	☐
7. To disapply pre-emption rights	☐	☐	☐	☐
8. To authorise share buy backs	☐	☐	☐	☐

Signature(s) (see note 5) Date

Notes:

1. If you wish to appoint as a proxy someone other than the Chairman of the meeting, please delete the words "The Chairman of the meeting" and insert the name of the other person (who need not be a member of the company). All alterations made to the proxy form must be initialled by the signatory.
2. The completion and return of the proxy form will not prevent you from attending the AGM and voting in person should you subsequently decide to do so.
3. If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only some votes for and some against insert the relevant number of shares in the appropriate box. In the absence of instructions your proxy may vote or abstain from voting as they think fit on the specified resolutions, and, unless instructed otherwise, may also vote or abstain from voting as they think fit on any other business (including on a resolution to amend a resolution, to propose a new resolution or to adjourn the meeting) which may properly come before the meeting.
4. The "Vote Withheld" option is provided so that you can instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" or "against" a resolution. The "At Discretion" option is provided so that you can give discretion to your proxy to vote or abstain from voting on a particular resolution as they think fit.
5. The proxy form must be signed by the shareholder or their attorney. Where the shareholder is a corporation the signature must be under seal or that of a duly authorised representative. In the case of joint holders, any one may sign the form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names appear in the register of members for the joint shareholding.
6. To be valid, this proxy form and any power of attorney or other authority under which it is signed or a certified copy of such authority, must be deposited at the company's registrars, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time of the AGM or any adjournment.

Second Fold

BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars
PO Box 25
BECKENHAM
Kent
BR3 4BR

Third Fold and Tuck in

First Fold