

Annual Report 2007

PHSC plc

4121793

ALS Adamson's
Laboratory Services

 **Envex**
Health Safety & Risk Consultants

 **Personnel Health & Safety Consultants**

 **RSA**
Environmental Health



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PHSC plc

COMPANY INFORMATION

DIRECTORS

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

SECRETARY

I E Young

REGISTERED OFFICE

The Old Church
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Aylestord
Kent
ME20 7PR

REGISTERED NUMBER

1121793 (England and Wales)

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E14 4HJ

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REGISTRARS

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PHSC plc

MANAGING DIRECTOR'S REVIEW

for the year ended 31 March 2007

I report on a very encouraging financial performance of the Company over the year and comment on some of the activities that have taken place during that period and prospects for the future.

In January 2007 we disposed of our Health and Safety Click Limited (HSCCL) subsidiary for reasons outlined later on in this statement. This resulted in an (exceptional) charge of £34,000. Shortly thereafter we acquired Envex Company Limited (Envex). Reference to the acquisition and disposal is made later in this statement.

This leaves the Group with four trading subsidiaries, through which we offer a wide range of consultancy and advisory services. Geographically our offices are based in Kent, Essex, Northamptonshire and Berkshire.

We purchased additional premises for Adamson's Laboratory Services Limited (ALS) at Raunds in Northamptonshire, adjacent to the existing offices leased by RSA Environmental Health Limited (RSA). The new premises have been refurbished and laboratory facilities have been installed. This leaves ALS well placed to expand its activities from the company's traditional south-east catchment area into the Midlands and beyond.

During the year, ALS was pleased to announce a contract that included work to an initial value of approximately £375,000, rising to a potential total fee income exceeding £750,000, over a three year period at the Shell Centre in London. Separately, ALS was awarded a contract valued at £105,000 to carry out asbestos surveying at a top London hotel.

RSA continued to win work from local authorities, with notable works including a contract valued at £32,000 for London Borough of Tower Hamlets. London Borough of Bromley has commissioned the company to carry out a survey related to the delivery provision preparation and consumption of school meals in a project worth £67,800 in revenues.

Our subsidiary Personnel Health & Safety Consultants Ltd was commissioned to undertake an auditing programme across Newsquest Media Group's print sites and offices, worth approximately £70,000 over a 12-month period.

Further information on the activities of each operating subsidiary is in the Report of the Directors on pages 5 to 11.

Acquisition and Disposal

The Group acquired Envex in January 2007 for an initial consideration of £35,000. A further £17,000 is due in repayment of the bank balance on acquisition of which £4,000 had been paid at the year end. There will be further payments of up to £37,000 on each of the first and second anniversaries of the acquisition funded by profits generated in those periods. In the year before acquisition, Envex had revenues of £238,000 and a pre-tax profit of £7,150. Envex provides general health and safety consultancy and training services to clients in Berkshire and the surrounding areas. In addition, it delivers the Management of Risk and Uncertainty training course for the Institute of Risk Management.

In January 2007 we disposed of HSCCL. Originally acquired in August 2005, that company is now in the hands of its Managing Director. As explained in last year's annual report, acquiring HSCCL was a speculative venture for PHSC plc in an area of business where the Group had no representation. HSCCL delivers a low cost health and safety protection and advisory service via a web-based system. Although the concept remained an attractive one, the Board took the view that shareholders' best interests would be served by concentrating our energies on companies that were more established and cash generative. The terms of the disposal provide that PHSC plc is entitled to 33% of any profits generated by HSCCL in the next twelve months, and 25% of any profits in the twelve months thereafter. HSCCL made a trading loss of £30,000 in the nine months prior to disposal.

PHSC plc is currently involved in discussions with two companies which are attractive acquisition targets and expects to report positive progress in due course.

PHSC plc

MANAGING DIRECTOR'S REVIEW *(continued)*

for the year ended 31 March 2007

Institutional Investment

Following the appointment of Hichens Harrison plc as brokers to the Group in January 2007 we placed 1,886,792 new ordinary shares at 53p per share with institutional investors. This raised £1,000,000 for the Company before expenses. We are pleased to welcome, in particular financial investment from Unicorn and Framlington as this will assist in improving the profile of PHSC plc within the investor community. Between the date of the new issue and the publication of the preliminary results' statement the mid price of our ordinary shares rose from 52.5p to 54.5p per share.

Corporate Structure

In addition to myself Nicola Coote is an executive director. There are two non-executive directors on the Board: Mike Miller, who chairs the Audit Committee, and Graham Webb MBE who chairs the Remuneration Committee.

A Chartered Secretary Lorraine Young supports the Board and its committees. The corporate resource is strengthened by the presence of our Group Accountant Candy Wilton.

Performance by Trading Subsidiaries

Profit figures below are stated before tax and management charges. Note that some general health and safety training and consultancy assignments carried out by particular trading subsidiaries will have been invoiced by other Group companies as in previous years; thus it is difficult to make direct performance comparisons. Reference should be made to the Group's overall performance.

Personnel Health and Safety Consultants Limited

Sales of £1.12 million, yielding a profit of £528,000.

In the previous year there were sales of £1.22 million and a profit of £337,000.

RSA Environmental Health Limited

Sales of £966,000, yielding a profit of £68,000.

In the previous year there were sales of £788,000 and a profit of £110,000.

Adamson's Laboratory Services Limited

Sales of £2.44 million, yielding a profit of £542,000 after adjusting to include unbilled revenues at the year end of £387,000.

Sales for the 9½ months post-acquisition (17.6.05-31.3.06) were £1.6 million, yielding a profit of £283,000.

Health & Safety Click Limited

Invoiced sales prior to disposal of £60,000 leading to a loss of £21,000.

For the period 17.8.05 to 31.3.06 there were sales of £86,000, resulting in a pre-tax loss of £26,000.

Envex Company Limited

Invoiced sales since acquisition on 9.1.07 were £55,000, resulting in a profit of £3,000.

Dividend

The Board is proposing a final dividend of 0.80p per ordinary share to be paid on 21 September 2007 to shareholders on the register as at 24 August 2007.

PHSC plc

MANAGING DIRECTOR'S REVIEW *(continued)* *for the year ended 31 March 2007*

Prospects

The Board continues to believe that there are good trading prospects within the health safety and environmental consultancy marketplace and we look forward to another successful and profitable year. We will endeavour to make at least one major acquisition during the period, ensuring that the any new subsidiary is earnings-enhancing.

Trading in the first two months of 2007/08 generated Group revenues of £725,000 (2006/07 £698,000).

Stephen King
Managing Director



1 August 2007

PHSC plc

REPORT OF THE DIRECTORS

for the year ended 31 March 2007

The directors present their report with the financial statements of the Company and the Group for the year ended 31 March 2007.

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. Asbestos related laboratory services consultancy and training was provided through the subsidiary Adamson's Laboratory Services Limited.

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 on pages 2 to 4. A review of the activities of each trading subsidiary is provided below.

Personnel Health & Safety Consultants Limited ("PHSCL")

Turnover for the year was £1.124 million compared with £1.224 million for the previous year. This was achieved with the full time equivalent of seven fee-earning staff, fewer than in the previous year and yielded higher annual revenues per consultant. The fall in turnover arose primarily as a consequence of the Company being a member of a larger Group, with some new sales opportunities being passed to other Group members. In addition, company staff have worked on contracts operated by sister companies, incurring costs of sale but with the sister company being credited with the value of the sale. Despite this the operating profit has improved due to a number of central administrative costs being transferred to PHSC plc.

RSA Environmental Health Limited ("RSA")

Turnover for the year ended 31 March 2007 was buoyant with a 23% increase compared to the previous year. Profits were down as a percentage of turnover due to increased expenditure during the year. The largest single additional cost was the temporary employment of a sales and marketing manager for seven months, who was able to raise the profile of RSA with the aid of a new company brochure and database complete with data sets for marketing RSA to target organisations. The post has now been dissolved having served its purpose and will effect cost savings in the current year.

The core activity of providing professional staff for environmental health departments within local authorities continues to thrive. RSA has won a major contract with the London Borough of Bromley which is worth £67,500 in the first quarter of the present financial year and should contribute to an increased profit margin.

RSA has been successful in winning a substantial amount of new business via the Safety Advisor Service, which remains the cornerstone of the Group's business activity. Utilising the synergy of skills across the Group as well as the increased geographical coverage the service can be delivered effectively and profitably to businesses looking for long term partnerships. Having previously concentrated on delivering consultancy and training in a more ad hoc fashion, RSA's new Advisor Service sales grew to £63,533 during the year to 31 March 2007. The portfolio of clients contracted to the service continues to grow and sales are expected to increase in this more sustainable and profitable area of the business.

Adamson's Laboratory Services Limited ("ALS")

Due to the expansion and securing of major long term projects turnover for the year ended 31 March 2007 showed a 17% increase compared to the previous period and profits reached a record level.

A new regional office has been opened in Raunds, Northamptonshire, staffed by a project manager and secretary resourced internally. ALS's UKAS accreditation has been expanded to cover the new office. The Raunds office is seen as a stepping stone into the Midlands and is ideally situated to serve one of the company's key clients, the University of Cambridge.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2007

The core activity of providing asbestos consultancy continues to expand. Regulatory pressures and fears of litigation have established asbestos management as a growth business. Public and private sector property managers are under obligation to manage their asbestos risk.

ALS has secured a number of large contracts including a major contract with ISG plc during the renewal of Shell Tower worth in the region of £750,000 over three years. A number of other large contracts with Regent Street Direct London Borough of Brent, University of Cambridge London Borough of Southwark and Chelmer Housing and extensions to term contracts have all contributed to ALS's growth. A new trend for the employment of compliance advisors has seen the placement of ALS staff into semi-permanent positions and this has raised the profile of ALS with prestigious organisations.

The launch of the internet version of the ALS asbestos register database "ARMSnet" has proved successful with organisations ranging from University College London to London Borough of Lewisham buying the service.

The Health and Safety department has been successful in winning a substantial amount of new business via the Safety Advisor Service, the current annual value has increased by 100%. The Training department has focused on in house training courses and has seen a substantial growth in the demand for asbestos awareness training following the implementation of new legislation.

As the company continues to grow it is focusing on the more sustainable and profitable areas of the business.

Envex Company Limited ("Envex")

The company's turnover for the ten months to 31 March 2007 was 28% down on the previous year on a pro-rata basis. An operating loss of £9,666 was made mostly due to a one off payment of £12,000 to the former Managing Director as compensation for loss of office.

PHSC plc acquired Envex Company Limited on 9 January 2007. A period of consolidation has ensued and the company is now seeking to take full advantage of the additional resources and cross-selling opportunities available to it within the Group.

A significant contract with West Berkshire County Council worth in the region of £43,000 over the next 12 to 14 months has been secured as well as a three year contract providing support to Thames Valley Police. Envex has established itself as a leading provider of the Institute of Risk Management's "Managing Risk and Uncertainty" training course and will seek to take advantage of the Group's wider client base to increase sales in this area.

Envex has been successful in winning a new support contract via the Safety Advisor Service and securing more contracts over the coming year will be a business focus for Envex.

KEY PERFORMANCE INDICATORS

The Board currently looks at three KPIs: 1. Total revenues; 2. Pre-tax profit per subsidiary before Group management charges; and 3. Staff turnover.

Total revenues are reviewed per month per subsidiary because this information gives a ready measure of how well the subsidiary is performing relative to its historical contribution. It also enables any trend to be detected and understood.

Profit before tax and management charges are reviewed by subsidiary each month because the Board is keen to ensure that subsidiaries are trading profitably. Relying upon total revenues alone cannot give a true picture of how well resources are utilised.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2007

Staff turnover is monitored because the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. At the beginning of the year the total number of full-time equivalent staff directly employed by the Group was 76 and at the end of the year the figure was 72. During the period there were 13 joiners and 17 leavers. 3 of the leavers were associated with a subsidiary disposal and 2 of the joiners arose from a subsidiary acquisition.

PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory/Marketplace

Much of the Group's work involves assisting organisations with the implementation of measures to meet regulatory requirements relating to health and safety at work. If the regulatory burden was to be substantially lightened, for example if the Government embarked upon a programme of radical deregulation, there could be less demand for the Group's services.

If it became mandatory for organisations of a certain size to employ dedicated health and safety personnel directly, this may have the effect of substantially reducing the number of clients to whom the Group could provide a service.

Changes to the operation of the employer's liability insurance system, as proposed in some quarters, could reduce the incentive for organisations to buy in claims-preventive services such as health and safety advice.

Technological

The Group's website is a primary source of new business. If the website became inaccessible for protracted periods, or was subject to "hacking", this may prejudice the opportunity to obtain new business.

The increase in the use of the internet for satisfying business requirements may lead to a reduction in demand for face-to-face consultancy services.

The number of training courses commissioned may be affected by moves towards screen-based interactive learning.

Personnel

Generally there is an excess of demand over supply for health and safety professionals. Those with sufficient qualifications and experience to be suitable for consultancy roles are in the minority. This has the combined effect of making it difficult for the Group to source suitable personnel and having to offer higher remuneration packages to attract them.

The Group is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly the loss of any key member of management of the Group may have an adverse effect on the future of the Group's business.

Geographical

The Group offers a nationwide service but does not have offices north of the Midlands. Some organisations see benefit in using consultancies that are local to them and this puts the Group at a disadvantage when seeking contracts in the north of the United Kingdom.

Licences

The Group is reliant on licences and accreditations in order to be able to carry on its business. The temporary loss of, or failure to maintain any single licence or accreditation would be unlikely to be materially detrimental to the Group as the directors believe that this could be remedied. However if the Group fails to remedy any loss of, or does not maintain any licence or accreditation, this would have a material adverse effect on the business of the Group.

PHSC plc

REPORT OF THE DIRECTORS (continued)

for the year ended 31 March 2007

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 continuing operations and planned expansions

GOING CONCERN

The financial statements have been prepared on the going concern basis. Details are in note 1 on page 23.

EMPLOYEES

Group companies each have in place the necessary structures to ensure effective communication with all employees. In addition, there are initiatives to ensure that staff are offered continuing professional development opportunities appropriate to their roles.

DIVIDENDS

A dividend of £73,691 was paid during the year ended 31 March 2007. The Board is proposing a final dividend of 0.80p per ordinary share to be paid on 21 September 2007 to shareholders on the register as at 24 August 2007.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
M J L Miller
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:

	31.3.07 Ordinary 10p shares	1.4.06 Ordinary 10p shares
S A King	3,089,153	3,682,549
N C Coote	3,070,395	3,545,395
M J L Miller	-	-
G N Webb	19,500	19,500

In addition to the directors' shareholdings shown above, S A King, N C Coote and Hazell Carr Pension Services Ltd jointly hold 33,400 (2006: 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 financial year.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2007

SHARE BUY BACK

The following fully paid ordinary 10p shares were purchased by PHSC plc during the year at a premium as shown below

	Number of shares	Nominal value of shares	Consideration paid
5 September 2006	15,000	£1,500	£8,130
18 December 2006	15,000	£1,500	£8,100
15 February 2007	25,000	£2,500	£13,375

The total of these purchases represent less than 1% of the issued share capital of PHSC plc. The directors believe that it is appropriate to purchase shares for cancellation when the price reaches or falls below the level at which they were originally released to the market. This also has the effect of improving earnings per share.

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 2007, the number of creditors days in respect of trade creditors was 34 (2006: 10).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £1,875 (2006: £200) were made by the Company during the year. The Company does not make political contributions.

SUBSTANTIAL SHAREHOLDINGS

At 1 August 2007, in addition to the directors' shareholdings disclosed above, the following persons had notified the Company of an interest of 3% or more of its issued share capital:

Name	Number of ordinary shares	Percentage of issued share capital
Marlborough UK Equity Growth Fund	350,000	3.0
Unicorn Asset Management Limited	1,899,453	16.3
including Eaglet Investment Trust plc	1,050,396	9.0
and Unicorn AIM VCT II plc	849,057	7.3
AXA SA and Group companies	646,509	5.5
including AXA Framlington AIM VCT 2 plc	112,399	0.9

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.

PHSC plc

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2007

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 10.00am on Thursday 13 September 2007 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 36 and 37 of this document and a form of proxy is on page 39.

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

Authority of directors to allot shares (Resolutions 5 and 6)

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 5 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 £334,270.

Resolution 6 empowers the directors until the earlier of 12 December 2008 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 2,331,459 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 1 August 2007. It is intended to renew this authority and power at each annual general meeting.

Authority for the Company to purchase its own shares (Resolution 7)

Resolution 7 authorises the Company, until the end of next year's AGM to purchase in the market up to a maximum of 1,748,594 ordinary shares (equivalent to approximately 15% of the issued share capital of the Company as at 1 August 2007) at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 percent 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 Companies Act 1985 now allows the Company to hold any repurchased shares in treasury, instead of cancelling them immediately. If the Company buys back its own shares and holds them in treasury it may then deal with some or all of them in several ways. It may sell them for cash, transfer them under the provisions of an employee share scheme, cancel them or continue to hold them in treasury. Holding shares in treasury in this way would allow the Company to reissue them quickly and cost effectively giving increased flexibility to the management of its capital base. Dividends are not paid on shares held in treasury nor do they carry voting rights while they remain there. The directors intend to decide at the time of any share buyback whether to cancel the shares immediately or to hold them in treasury, depending on the interests of the Company and its shareholders as a whole, at the time.

The Company does not currently hold any shares in treasury.

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REPORT OF THE DIRECTORS *(continued)*

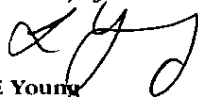
for the year ended 31 March 2007

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 AGM in 2008 or if earlier, 15 months from the date when the resolution is passed. It is intended to renew this authority at each AGM.

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

1 August 2007

PHSC plc

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2007

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 MBF). 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 3 07 Salary	Benefits	Bonus	Total	Year ended 31 3 06 Total
S A King	£75,000	£1,008	£0	£76,008	£63,408
N C Coote	£55,000	£1,086	£0	£56,086	£45,386

Pension contributions of £6,450 were made in respect of the directors during the year ended 31 March 2007 (2006 nil).

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

	Year ended 31 3 07	Year ended 31 3 06
M J L Miller (appointed 1 June 2005)	£10,000	£8,333
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. 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 2007

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of PHSC plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. 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 auditor's 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

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Managing Director's Review. 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 judgments 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.

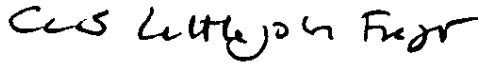
PHSC plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)* *for the year ended 31 March 2007*

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 the Parent Company's affairs as at 31 March 2007 and of the Group's profit for the year then ended,
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the Financial Statements



CLB Littlejohn Frazer

Chartered Accountants and Registered Auditors

1 Park Place

Canary Wharf

London E14 4HJ

1 August 2007

PHSC plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2007

	Notes	31 3 07 £	31 3 06 £
TURNOVER	2	4,649,147	4,704,670
Continuing operations			
Existing		4,534,083	3,618,780
Acquired		54,775	-
		<u>4,588,858</u>	<u>3,618,780</u>
Discontinued operations		60,289	85,890
		<u>4,649,147</u>	<u>4,704,670</u>
Cost of sales	3	2,312,196	1,791,199
GROSS PROFIT	3	2,336,951	1,910,471
Administrative expenses	3	1,682,861	1,515,844
Other operating income		1,561	30,175
		<u>655,651</u>	<u>424,802</u>
OPERATING PROFIT	5	655,651	424,802
Continuing operations			
Existing		676,436	489,022
Acquired		2,525	-
		<u>678,961</u>	<u>489,022</u>
Discontinued operations		(23,310)	(64,220)
		<u>655,651</u>	<u>424,802</u>
Interest receivable and similar income		9,743	21,296
Interest payable and similar charges	7	31,533	34,479
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		633,861	411,619
Loss on sale of discontinued operations		33,657	-
Tax on profit on ordinary activities	8	238,803	163,268
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>361,401</u>	<u>248,351</u>
EARNINGS PER SHARE	10	3.67p	2.60p
Continuing operations		3.94p	3.27p
Discontinued operations		(0.27)p	(0.67)p
DILUTED EARNINGS PER SHARE	10	3.61p	2.56p
Continuing operations		3.88p	3.22p
Discontinued operations		(0.27)p	(0.66)p

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.

Notes 1 to 25 form part of these financial statements

PHSC plc

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2007

	31 3 07 £	31 3 06 £
Profits attributable to shareholders	361,401	218,351
Unrealised surplus on revaluation of properties	—	101,531
Total gain recognised since 31 March 2006	361,401	352,882

Notes 1 to 25 form part of these financial statements

PHSC plc

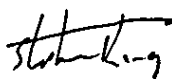
CONSOLIDATED BALANCE SHEET

31 March 2007

	Notes	31 3 07 £	31 3 06 £
FIXED ASSETS			
Intangible assets	11	2,139,522	2 280 337
Tangible assets	12	817,516	719 497
		<u>2,957,038</u>	<u>2,999 834</u>
CURRENT ASSETS			
Stock and work-in-progress	14	388,897	296 771
Debtors	15	950,834	688,650
Cash at bank		<u>1,468 988</u>	<u>187,266</u>
		<u>2,808,719</u>	<u>1,472 687</u>
CREDITORS			
Amounts falling due within one year	16	<u>968,372</u>	<u>750 803</u>
NET CURRENT ASSETS		<u>1,840,347</u>	<u>721 884</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,797,385</u>	<u>3 721,718</u>
CREDITORS			
Amounts falling due after more than one year	17	286,527	416,956
PROVISIONS FOR LIABILITIES AND CHARGES	18	<u>12,962</u>	<u>12 962</u>
		<u>4,497,896</u>	<u>3,291 800</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,165,729	982 550
Share premium	20	1,463,509	728,302
Capital redemption reserve	20	5,500	-
Revaluation reserve	20	202,308	205 201
Profit and loss account	20	<u>1,660,850</u>	<u>1,375 747</u>
SHAREHOLDERS' FUNDS	21	<u>4,497,896</u>	<u>3,291 800</u>

ON BEHALF OF THE BOARD

S A King



Director

Approved by the Board and authorised for issue on 1 August 2007

Notes 1 to 25 form part of these financial statements

PHSC plc

COMPANY BALANCE SHEET

31 March 2007

	Notes	31 3 07 £	31 3 06 £
FIXED ASSETS			
Intangible assets	11	40,665	12,952
Tangible assets	12	135,406	-
Investments	13	2,903,273	2,814,310
		<u>3,079,344</u>	<u>2,857,292</u>
CURRENT ASSETS			
Debtors	15	330,670	239,197
Cash at bank		<u>100,000</u>	<u>178,401</u>
		430,670	417,601
CREDITORS			
Amounts falling due within one year	16	<u>242,850</u>	<u>627,878</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>187,820</u>	<u>(210,277)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		3,267,164	2,647,015
CREDITORS			
Amounts falling due after more than one year	17	<u>88,811</u>	<u>100,000</u>
		<u>3,178,353</u>	<u>2,547,015</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,165,729	982,550
Share premium	20	1,463,509	728,302
Capital redemption reserve	20	5,500	-
Profit and loss account	20	<u>543,615</u>	<u>836,163</u>
SHAREHOLDERS' FUNDS	23	<u>3,178,353</u>	<u>2,547,015</u>

ON BEHALF OF THE BOARD

S A King

 Director

Approved by the Board and authorised for issue on 1 August 2007

Notes 1 to 25 form part of these financial statements

PHSC plc

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2007

	Notes	31 3 07 £	£	31 3 06 £	£
Net cash inflow from operating activities	I	660 888		631 129	
Returns on investments and servicing of finance	II	(21 790)		(13 183)	
Taxation		(185,953)		(222 122)	
Capital expenditure	II	(159,475)		(1,632)	
Acquisitions and disposals	II	(159,722)		(1,315 251)	
Equity dividends paid		(73,691)		-	
		<u>60,257</u>		<u>(951 059)</u>	
Financing	II	<u>921,465</u>		<u>630 213</u>	
Increase/(decrease) in cash in the period		<u>981,722</u>		<u>(320,816)</u>	
Reconciliation of net cash flow to movement in net funds	III				
Increase/(decrease) in cash in the period		981,722		(320 816)	
Cash inflow from increase in debt and lease financing		(3,080)		(285,690)	
Loans transferred with disposed subsidiaries		<u>45,297</u>		<u>(121,813)</u>	
Change in net funds resulting from cash flows		<u>1,023,939</u>		<u>(731 319)</u>	
Movement in net funds in the period		<u>1,023,939</u>		<u>(731,319)</u>	
Net funds at 1 April		<u>74,563</u>		<u>805,882</u>	
Net funds at 31 March		<u>1,098,502</u>		<u>74 563</u>	

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2007

I RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 3 07 £	31 3 06 £
Operating profit	655,651	421,802
Depreciation and amortisation charges	182,486	215,919
Loss on disposal of fixed assets	2,884	563
Increase in stock and work-in-progress	(82,937)	(94,771)
(Increase)/decrease in debtors	(250,701)	92,812
Increase/(decrease) in creditors	153,505	(8,226)
Net cash inflow from operating activities	660,888	631,129

II ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 3 07 £	31 3 06 £
Returns on investments and servicing of finance		
Interest received	9,743	21,296
Interest paid	(31,533)	(34,479)
Net cash (outflow)/inflow for returns on investments and servicing of finance	(21,790)	(13,183)
Capital expenditure		
Purchase of tangible fixed assets	(166,524)	(1,632)
Sale of tangible fixed assets	7,049	-
Net cash outflow for capital expenditure	(159,475)	(1,632)
Acquisitions and disposals		
<i>Acquisitions</i>		
Intangible fixed assets	-	(36,105)
Tangible fixed assets	(3,000)	(273,415)
Stock and work-in-progress	(9,189)	(202,000)
Trade and other debtors	(24,639)	(371,822)
Trade and other creditors	9,908	212,661
VAT Corporation Tax and PAYE/NL	4,710	183,166
Directors loan	-	51,628
Other loans	-	124,812
Goodwill on acquisition	(13,131)	(1,305,846)
Amounts still owing on acquisition	9,000	175,000
Satisfied by allotment of shares	-	100,000
Settlement of acquisition creditors	(133,381)	-
Consideration satisfied by cash	(159,722)	(1,315,251)
<i>Disposals</i>		
Intangible fixed assets	68,545	-
Tangible fixed assets	8,378	-
Trade and other debtors	17,381	-
Trade and other creditors	(1,421)	-
VAT Corporation Tax and PAYE/NL	(9,762)	-
Other loans	(45,297)	-
Amounts still owing on disposal	(4,167)	-
Loss on disposal	(33,657)	-
Consideration	-	-
Net cash outflow for acquisitions and disposals	(159,722)	(1,315,251)

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

continued

II ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT – continued

	31.3.07 £	31.3.06 £
Financing		
Hire purchase - capital repayments in year	—	(2,200)
Bank overdraft	(825)	1,385
Loans	3,905	286,506
Factoring	—	(145,000)
Purchase of own shares	(29,865)	—
Shares issued (for cash)	188,679	129,000
Premium on shares issued in period	811,321	545,800
Costs of placing new shares issued	(51,750)	(185,248)
Net cash inflow from financing	921,465	640,243

III. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.06 £	Cash flow £	Non-cash movement £	At 31.3.07 £
Net cash				
Cash at bank	487,266	981,722	—	1,468,988
	<u>487,266</u>	<u>981,722</u>	<u>—</u>	<u>1,468,988</u>
Debt				
Bank overdraft	(1,385)	825	—	(560)
Bank loan	(348,738)	(21,188)	—	(369,926)
Other loans	(62,580)	17,283	15,297	—
	<u>(412,703)</u>	<u>(3,080)</u>	<u>15,297</u>	<u>(370,486)</u>
Total	74,563	978,642	15,297	1,098,502

Notes 1 to 25 form part of these financial statements

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2007

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 2007 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.

Goodwill

Goodwill arises on the acquisition of subsidiary undertakings and interests and represents the excess of the cost of acquisition over the net asset values of the subsidiaries or interests acquired. In accordance with 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.

Goodwill in the Company represents the amount paid in connection with the acquisition of a business and is being amortised evenly over 20 years.

Investments

In the Company's accounts, 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.

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 and equipment	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

1 ACCOUNTING POLICIES – continued

Stocks

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

Work in-progress

Work in progress as at 31 March 2007 has been valued in accordance with U11F40 (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.

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 a refund of 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 2008 and its plan for 2009. This included consideration of the cash flow implications of the budget and plan. 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

	Existing £	Acquired £	31 3 07 Discontinued £	Total £
Cost of sales	2,273,972	32,454	5,770	2,312,196
Gross profit	2,260,111	22,321	54,519	2,336,951
Administrative expenses	1,584,736	20,046	78,079	1,682,861

	Existing £	Acquired £	31 3 06 Discontinued £	Total £
Cost of sales	1,781,927	-	12,272	1,794,199
Gross profit	1,836,853	-	73,618	1,910,471
Administrative expenses	1,378,006	-	137,838	1,515,844

4. STAFF COSTS

	31 3 07 £	31 3 06 £
Wages and salaries	2,025,252	1,675,118
Social security costs	209,996	158,666
Sub-contractors	666,676	421,983
Other pension costs	32,117	26,756
	<u>2,934,041</u>	<u>2,282,523</u>

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

	31 3 07	31 3 06
Directors	8	7
Consultants	48	10
Administrative	16	14
	<u>72</u>	<u>61</u>

5. OPERATING PROFIT

The operating profit is stated after charging

	31 3 07 £	31 3 06 £
Depreciation - owned assets	53,194	48,961
Loss on disposal of fixed assets	2,883	563
Goodwill amortisation	129,292	166,984
Auditors' remuneration	21,798	18,400
Auditors' remuneration for non audit work	7,000	1,350
Operating lease charges - land and buildings	7,294	5,814
- other	132,175	123,721

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

5 OPERATING PROFIT – continued

	31 3 07 £	31 3 06 £
Directors' emoluments	160,094	135,127
Directors' pension contributions to money purchase schemes	6,450	-

The directors' emoluments represent the amounts received by the two executive and two non-executive directors of PHSC plc. The non-executive directors have been paid by PHSC plc since the start of their term of office. For the year ended 31 March 2006 the two executive directors were on the Personnel Health and Safety Consultants Limited payroll, but were transferred to the PHSC plc payroll from 1 April 2006.

During the year 2 (2006: 2) directors participated in a money purchase pension Scheme. Contributions of £6,450 (2006: nil) were made to the Scheme during the year ended 31 March 2007.

6 DIVIDENDS

	31 3 07 £	31 3 06 £
Paid	73,691	-
Proposed	93,258	73,691

7 INTEREST PAYABLE AND SIMILAR CHARGES

	31 3 07 £	31 3 06 £
Bank loan interest	28,179	23,749
Other loan interest	3,354	10,730
	31,533	34,479

8 TAXATION

Analysis of the tax charge

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

	31 3 07 £	31 3 06 £
Current tax		
UK corporation tax	236,121	174,870
Under/(over) provision	2,682	(11,602)
Tax on profit on ordinary activities	238,803	163,268

UK corporation tax has been charged at 39.78% (2006: 39.66%)

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

8. 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 07 £	31 3 06 £
Profit on ordinary activities before tax	600,204	411,619
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006: 30%)	180,061	123,485
Effects of:		
Amortisation of goodwill on consolidation not eligible for capital allowances	36,840	48,000
Depreciation in excess of capital allowances claimed	6,851	7,589
Disallowed expenses and adjustments	5,818	10,095
Disallowed expense - loss on sale of discontinued operations	10,097	-
Marginal relief for profits less than upper limit	-	(8,476)
Group relief	(33,264)	(7,298)
Under/(over) provisions in prior periods	2,682	(11,602)
Effect of profits taxable at lower rate	(3,378)	(6,301)
Losses disposed	33,096	1,116
Current tax charge	238,803	163,268

The amount of deferred tax that has not been provided on the revalued fixed assets is £77,740 (2006: £77,740). At present it is not envisaged that any tax will become payable in the foreseeable future.

9. 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 loss for the financial year was £213,456 (2006: £95,861 profit).

10. EARNINGS PER SHARE

The earnings per share is 3.67p (2006: 2.60p) and the diluted earnings per share is 3.61p (2006: 2.56p).

The basic earnings per share is calculated by dividing the profit on ordinary activities after tax of £361,401 (2006: £248,351) by 9,838,517 ordinary shares (2006: 9,561,614) being the weighted average number of shares in issue and carrying the right to receive a dividend during year ended 31 March 2007.

The calculation of diluted earnings per share is based on the consolidated profit on ordinary activities after tax for the financial year of £361,401 (2006: £248,351) and on 10,001,920 ordinary shares (2006: 9,709,971), being the weighted average number of ordinary shares in issue and carrying the right to receive a dividend during the year, being 9,838,517 (2006: 9,561,614) ordinary shares diluted for the effect of 163,373 (2006: 148,357), being the weighted average number of warrants issued.

If the loss pertaining to the discontinued operations is excluded, then the basic and diluted earnings per share rises to 3.91p and 3.88p respectively (2006: 3.27p and 3.22p). The number of shares used in these calculations is as detailed above.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

11 INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 April 2006	2 540,072
Additions	57 021
In subsidiaries disposed	(36 405)
Disposals	(82 542)
At 31 March 2007	<u>2,178 146</u>
AMORTISATION	
At 1 April 2006	259 735
Amortisation for year	129,292
In subsidiaries disposed	(6 403)
Disposals	(14 000)
At 31 March 2007	<u>338 624</u>
NET BOOK VALUE	
At 31 March 2007	<u>2 139 522</u>
At 31 March 2006	<u>2 280,337</u>

The addition to goodwill relates to

- (i) deferred consideration due on the first and second anniversaries of the acquisition of Adamson's Laboratory Services Limited, and
- (ii) the acquisition of Envex Company Limited further details of which are set out in note 13. The goodwill is being amortised over 20 years, being the directors' estimate of its useful life.

Company

	Goodwill £
COST	
At 1 April 2006	15,739
Additions	-
At 31 March 2007	<u>15 739</u>
AMORTISATION	
At 1 April 2006	2 787
Amortisation for year	2,287
At 31 March 2007	<u>5,074</u>
NET BOOK VALUE	
At 31 March 2007	<u>10 665</u>
At 31 March 2006	<u>12 952</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

12. TANGIBLE FIXED ASSETS

Group

	Freehold property £	Improvements to property £	Fixtures & Equipment £	Motor vehicles £	Totals £
COST OR VALUATION					
At 1 April 2006	590,000	3,434	210,827	71,051	875,312
Additions	122,000	15,396	29,128	-	166,524
Disposals	-	-	(1,500)	(23,652)	(25,152)
Acquisition of subsidiary	-	-	3,000	-	3,000
Disposal of subsidiary	-	-	(11,208)	-	(11,208)
At 31 March 2007	712,000	18,830	230,247	47,399	1,008,476
DEPRECIATION					
At 1 April 2006	10,032	1,372	103,014	41,397	155,815
Charge for year	13,020	1,113	33,174	5,887	53,194
Eliminated on disposal	-	-	(4,130)	(13,919)	(18,049)
At 31 March 2007	23,052	2,485	132,058	33,365	190,960
NET BOOK VALUE					
At 31 March 2007	688,948	16,345	98,189	14,034	817,516
At 31 March 2006	579,968	2,062	107,813	29,654	719,497

Cost or valuation at 31 March 2007 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	464,209	18,830	230,247	47,399	760,685
	712,000	18,830	230,247	47,399	1,008,476

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

	31,307 £	41,306 £
Cost	464,209	412,209

The freehold property at 31 Rochester Road, Avlestone Kent was valued on an open market basis on 19 May 2005 by Michael Jefferys Chartered Surveyors. The freehold property at 19 Lumpkin 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 TANGIBLE FIXED ASSETS – continued

Company

	Freehold property £	Freehold improvements £	Total £
COST OR VALUATION			
At 1 April 2006	-	-	-
Additions	122,000	15,396	137,396
At 31 March 2007	122,000	15,396	137,396
DEPRECIATION			
At 1 April 2006	-	-	-
Charge for year	1,220	770	1,990
At 31 March 2007	1,220	770	1,990
NET BOOK VALUE			
At 31 March 2007	120,780	14,626	135,406
At 31 March 2006	-	-	-

13. FIXED ASSET INVESTMENTS

Company

	Shares in group undertakings £
COST	
At 1 April 2006	2,814,340
Additions	100,298
Disposals	(11,365)
At 31 March 2007	2,903,273
NET BOOK VALUE	
At 31 March 2007	2,903,273
At 31 March 2006	2,814,340

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

13. FIXED ASSET INVESTMENTS – continued

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
Personnel Health & Safety Consultants Limited	England	Ordinary	100%	Health and Safety
Personnel Health & Safety Consultants (Southern) Limited	England	Ordinary	100%	Dormant
Personnel Health & Safety Consultants (Northern) Limited	England	Ordinary	100%	Dormant
Personnel Health & Safety Consultants (Midlands) Limited	England	Ordinary	100%	Dormant
CounterClaim UK Limited	England	Ordinary	100%	Dormant
RSA Environmental Health Limited	England	Ordinary	100%	Health and Safety
Adamson's Laboratory Services Limited	England	Ordinary	100%	Health and Safety
Envex Company Limited	England	Ordinary	100%	Health and Safety

During the year the Company acquired a 100% shareholding in Envex Company Limited

Envex Company Limited

On 9 January 2007 100% of the net assets of Envex Company Limited were acquired. The cost of the investment was £56,107 and net assets of £43,276 were acquired resulting in goodwill arising of £13,131. The net assets are considered to be of fair value.

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

13 FIXED ASSET INVESTMENTS – continued

	Book value	Adjustments	Fair value to Group
	£	£	£
Fixed assets	3,000	-	3,000
Work-in-progress	9,189	-	9,189
Debtors	24,639	-	24,639
Bank	21,066	-	21,066
Creditors	(14,618)	-	(14,618)
	<u>43,276</u>	<u>-</u>	<u>43,276</u>
Goodwill arising on acquisition			<u>13,131</u>
			<u>56,407</u>
Discharged by:			
Cash			39,000
Costs associated with acquisition			<u>4,407</u>
Deferred consideration			<u>13,000</u>
			<u>56,407</u>

Envex Company Limited earned a profit after tax of £6,161 in the year ended 31 May 2006. In the period from 1 June 2006 to 8 January 2007 a loss of £27,033 arose.

14 STOCKS AND WORK-IN-PROGRESS

	Group		Company	
	31.3.07	31.3.06	31.3.07	31.3.06
	£	£	£	£
Stocks	2,000	2,000	-	-
Work in progress	<u>386,897</u>	<u>294,771</u>	<u>-</u>	<u>-</u>
	<u>388,897</u>	<u>296,771</u>	<u>-</u>	<u>-</u>

15 DEBTORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.07	31.3.06	31.3.07	31.3.06
	£	£	£	£
Trade debtors	904,797	646,937	-	-
Amounts owed by Group undertakings	-	-	323,283	239,197
Other debtors	5,522	718	5,517	-
Prepayments and accrued income	<u>40,515</u>	<u>40,995</u>	<u>1,870</u>	<u>-</u>
	<u>950,834</u>	<u>688,650</u>	<u>330,670</u>	<u>239,197</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

16. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 3 07	31 3 06	31 3 07	31 3 06
	£	£	£	£
Bank loans and overdrafts	83,959	74,176	5,168	-
Trade creditors	131,864	38,434	5,619	1,204
Amounts owed to Group undertakings	-	-	53,036	125,068
Tax	236,117	182,281	748	36,026
Social security and other taxes	62,908	64,908	7,002	-
VAT	198,476	150,344	8,965	31,553
Other creditors	146,524	117,730	144,510	125,000
Accrued expenses	108,124	83,824	17,802	9,027
Deferred income	400	9,106	-	-
	<u>968,372</u>	<u>750,803</u>	<u>242,850</u>	<u>627,878</u>

Included in 'Other Creditors' is £135,510 due in respect of the acquisition of Adamson's Laboratory Services Limited

The bank loans are secured by a legal mortgage over the freehold properties and fixed and floating charges over the present and future assets of the Group

17. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 3 07	31 3 06	31 3 07	31 3 06
	£	£	£	£
Bank loans	286,527	275,947	88,811	-
Other creditors	-	111,009	-	100,000
	<u>286,527</u>	<u>416,956</u>	<u>88,811</u>	<u>100,000</u>

18. PROVISION FOR LIABILITIES AND CHARGES

	Group		Company	
	31 3 07	31 3 06	31 3 07	31 3 06
	£	£	£	£
Deferred taxation	<u>12,962</u>	<u>12,962</u>	<u>-</u>	<u>-</u>

	Group		Company	
	Deferred tax 31 3 07	Deferred tax 31 3 06	Deferred tax 31 3 07	Deferred tax 31 3 06
	£	£	£	£
Accelerated capital allowances	<u>12,962</u>	<u>12,962</u>	<u>-</u>	<u>-</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

19 CALLED UP SHARE CAPITAL

Authorised

Number	Class	Nominal value	31.3.07 £	31.3.06 £
15,000,000	Ordinary	10p	<u>1,500,000</u>	<u>1,500,000</u>

Allotted, issued and fully paid

Number	Class	Nominal value	31.3.07 £	31.3.06 £
11,657,296	Ordinary (31.3.06: 9,825,504)	10p	<u>1,165,729</u>	<u>982,550</u>

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

26 March 2007 - 1,886,792 ordinary shares of 10p each at 53p per share. The nominal value of these shares was £188,679 and the consideration received was £948,250 after deducting expenses of £51,750.

The following fully paid shares were purchased by PHSC plc during the year at a premium as shown below:

5 September 2006	-	15,000 ordinary shares of 10p each at 54.2p per share
18 December 2006	-	15,000 ordinary shares of 10p each at 54p per share
15 February 2007	-	25,000 ordinary shares of 10p each at 53.5p per share

Warrants

The Company has issued a total of 163,373 warrants to acquire shares in PHSC plc.

13 December 2004	-	85,227 warrants
22 March 2005	-	20,154 warrants
4 July 2005	-	57,992 warrants

All of the warrants are exercisable at 41p for a period of five years from the date of grant.

20 RESERVES

Group

	Profit and loss account £	Share premium £	Capital redemption £	Revaluation reserve £	Totals £
At 1 April 2006	1,375,747	728,302	-	205,201	2,309,250
Retained profit for the year	361,401	-	-	-	361,401
Dividends paid	(73,691)	-	-	-	(73,691)
Depreciation on revalued assets	2,893	-	-	(2,893)	-
Share buy backs	(5,500)	(24,364)	5,500	-	(24,364)
Issue of ordinary shares	-	811,321	-	-	811,321
Costs of placing new shares issued	-	(51,750)	-	-	(51,750)
At 31 March 2007	<u>1,660,850</u>	<u>1,463,509</u>	<u>5,500</u>	<u>202,308</u>	<u>3,332,167</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

20. RESERVES – continued

Company	Profit and loss account £	Share premium £	Capital redemption £	Totals £
At 1 April 2006	836,163	728,302	-	1,564,465
Retained loss for the year	(213,357)	-	-	(213,357)
Dividends paid	(73,691)	-	-	(73,691)
Share buy backs	(5,500)	(24,364)	5,500	(24,364)
Issue of ordinary shares	-	811,321	-	811,321
Costs of placing new shares issued	-	(51,750)	-	(51,750)
At 31 March 2007	<u>543,615</u>	<u>1,463,509</u>	<u>5,500</u>	<u>2,012,624</u>

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 8. All Group transactions were eliminated on consolidation.

22. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the UK is the ultimate parent Company of the Group. Mr S A King, managing director is the ultimate controlling party with 26.5% (2006: 37.48%) of the issued share capital of PHSC plc.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	31.3.07 £	31.3.06 £
Profit for the financial year	361,401	248,351
Dividends paid	(73,691)	-
Shares issued in holding company	188,679	115,000
Premium on shares issued	811,321	629,800
Share buy backs	(5,500)	-
Premium on share buy backs	(24,364)	-
Costs of placing new shares issued	(51,750)	(185,248)
Revaluation of freehold property	-	104,531
Net addition to shareholders' funds	1,206,096	942,434
Opening shareholders' funds	<u>3,291,800</u>	<u>2,349,366</u>
Closing shareholders' funds	4,497,896	3,291,800
Equity interests	<u>4,497,896</u>	<u>3,291,800</u>

PHSC plc

NOTES TO THE FINANCIAL STATEMENTS

continued

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS – continued

Company	31 3 07 £	31 3 06 £
(Loss)/profit for the financial year	(213,357)	95,862
Dividends	(73,691)	-
Share issues (at premium)	1,000,000	774,800
Share buy backs	(29,864)	-
Placing costs incurred on issue	(51,750)	(185,219)
Net addition to shareholders' funds	631,338	685,413
Opening shareholders' funds	2,547,015	1,861,602
Closing shareholders' funds	3,178,353	2,547,015
Equity interests	3,178,353	2,547,015

24 OPERATING LEASE AGREEMENTS

As at 31 March 2007 the Group had aggregate annual commitments under non-cancellable operating leases as set out below

	31 3 07 £	31 3 06 £
Operating leases which expire		
Land and Buildings		
Within 1 year	-	5,814
Within 2 to 5 years	17,442	-
Other		
Within 1 year	13,327	31,881
Within 2 to 5 years	143,906	173,063

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 in the disclosures required by Financial Reporting Standard 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 10.00am on Thursday 13 September 2007 at The Old Church, 31 Rochester Road Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions

- 1 To receive the annual report and audited accounts for the year ended 31 March 2007
- 2 To declare a final dividend of 0.80p per share
- 3 To re-elect Ms N C Coote as a director
- 4 To reappoint CIB Littlejohn Frazer as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration
- 5 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 £331,270 during the period commencing on the date of the passing of this resolution and expiring on 12 September 2012 but so that the 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
- 6 THAT subject to and conditional upon the passing as an ordinary resolution of resolution number 5 set out in the notice of this 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 the 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 £233,145

such power to expire at the conclusion of the annual general meeting of the Company in 2008 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 and

PHSC plc

Notice of Annual General Meeting

continued

- THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 1985) 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 1,748,591,
 - (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 2008 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

7 August 2007

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 office of the Company Secretary, 3 Vaughan Avenue Tonbridge, Kent TN10 4EB 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 11 September 2007 (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 11 September 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

PHSC plc

Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Thursday 13 September 2007

Please read carefully the notice of meeting the accompanying notes and the explanation of the business to be transacted at the AGM (contained in the directors' report) 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 N C Coote as a director	☐	☐	☐	☐
4 To reappoint CLB Littlejohn Frazer as auditors and to authorise the directors to settle their fees	☐	☐	☐	☐
5 To authorise the directors to allot shares	☐	☐	☐	☐
6 To disapply pre-emption rights	☐	☐	☐	☐
7 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 office of the Company Secretary, 3 Vaughan Avenue, Tonbridge, Kent TN10 1EB no later than 48 hours before the time of the AGM or any adjournment.

Second Fold

Business Reply Plus
Licence Number
RRLC-AASJ-CKCE



Lorraine Young Company Secretarial Services
3 Vaughan Avenue
Tonbridge
Kent
TN10 4EB

First Fold

Third Fold and Tuck in

TUESDAY



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04/09/2007

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COMPANIES HOUSE