

**ALS** Adamson's  
Laboratory Services

**Envex**  
Health, Safety & Risk Consultants

**IH** In House  
In House

**ISI** Inspection Services (U.K.)

**RHSC** Personnel Health & Safety Consultants

**QLM**   
QUALITY LEISURE MANAGEMENT

**RSA**  
Environmental Health

*Annual Report*  
2011

**PHSC plc**

*The Safety, Health and Environmental Consultancy Group*



# PHSC plc

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*for the year ended 31 March 2011*

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# PHSC plc

## COMPANY INFORMATION

*for the year ended 31 March 2011*

<b>DIRECTORS:</b>	S A King N C Cooté G N Webb MBE M J L Miller
<b>SECRETARY:</b>	L E Young
<b>REGISTERED OFFICE &amp; BUSINESS ADDRESS:</b>	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
<b>REGISTERED NUMBER:</b>	4121793 (England and Wales)
<b>AUDITOR:</b>	Crowe Clark Whitehill LLP Chartered Accountants & Registered Auditor 10 Palace Avenue Maidstone Kent ME15 6NF
<b>SOLICITORS:</b>	Gullands 16 Mill Street Maidstone Kent ME15 6XT
<b>REGISTRARS:</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>NOMINATED ADVISORS AND BROKERS:</b>	Northland Capital Partners Limited 60 Gresham Street London EC2V 7BB

# PHSC plc

## GROUP CHIEF EXECUTIVE'S REVIEW

*for the year ended 31 March 2011*

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

### **Revenue and profit**

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

### **Costs**

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

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

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

### **Recent and Proposed Acquisitions**

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

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

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

### **Corporate Structure**

There has been no change to the structure. In addition to myself, Nicola Coote is an executive director. Our two non-executive directors are Mike Miller, who chairs the audit committee, and Graham Webb MBE who chairs the remuneration committee. The contracts of both non-executives have been extended until 31 March 2012. Our chartered secretary, Lorraine Young, supports the board and its committees. The corporate resource is strengthened by the presence of our group accountant, Candy Wilton.

In my Interim Statement, I explained that the corporate overhead had increased and the board was looking to see where savings could be made. I stated that certain costs are an inevitable result of our AIM listing and of the infrastructure

# PHSC plc

## GROUP CHIEF EXECUTIVE'S REVIEW *(continued)*

*for the year ended 31 March 2011*

necessary to meet our compliance obligations. Some shareholders subsequently questioned whether this statement was a precursor to leaving AIM, with mixed opinions as to how they would regard such a move.

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

### **Employees**

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

### **Regulatory review**

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

### **Performance by Trading Subsidiaries**

Profit figures below are stated before tax and Group management charges. Note that revenues for safety training courses and general consultancy assignments are usually credited to the company generating the sale. It is sometimes the case that the consultant delivering the work is not from the same subsidiary and Group policy is not to cross-charge for such services. For example, a £22,000 sale by Envex was delivered by Adamson's Laboratory Services at a cost of around £17,000. For that reason, reference should be made to the Group's overall performance rather than attempting to make direct comparisons at subsidiary level.

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

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

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

### **RSA Environmental Health Limited**

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

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

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

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

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

### **Envex Company Limited**

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

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

# PHSC plc

## GROUP CHIEF EXECUTIVE'S REVIEW *(continued)* *for the year ended 31 March 2011*

### **Inspection Services (UK) Limited**

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

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

### **Quality Leisure Management Limited**

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

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

### **Net Asset Value**

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

### **Dividend**

The board is proposing a final dividend of 1.0p per ordinary share.

The Group has a strong and increasing cash balance. This stood at around £749,000 at year-end. In the absence of any immediate call upon the majority of these reserves, the board also proposes a special additional dividend of 1.0p per ordinary share.

Subject to approval at the annual general meeting, a total dividend of 2.0p per ordinary share will be paid on 23 September 2011 to shareholders on the register as at 26 August 2011.

### **Prospects**

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

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

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

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

### **Stephen King**

*Group Chief Executive*

# PHSC plc

## REPORT OF THE DIRECTORS

*for the year ended 31 March 2011*

The directors present their report with the audited financial statements of PHSC plc Company and Group for the year ended 31 March 2011.

### **PRINCIPAL ACTIVITIES**

The principal activities of the Group in the year under review were to provide through its subsidiary companies, consultancy services and training in respect of health and safety matters. Particular specialisms within the Group include asbestos consultancy and training, environmental and food hygiene, statutory examinations of plant and equipment and consultancy to the sport and leisure management sector.

### **REVIEW OF BUSINESS**

The Group results for the year and financial position of the Group is shown in the annexed financial statements. The group chief executive's review of the business is provided on pages 3 to 5. A review of the activities of each trading subsidiary is provided below.

#### **Personnel Health & Safety Consultants Limited (PHSCL)**

Turnover for the year was £0.927m compared with £0.978m for the previous year. There has been a reduction in revenues of approximately 5% mainly caused by a softening of demand for discretionary services as opposed to those that are compliance-driven. This was the third and final year of the training contract with Isle of Wight Council, and upon expiry costs were incurred associated with write-off of goodwill and termination of employment (£6,800 and £2,000 respectively). Overall earnings before interest, taxation, depreciation and amortisation stood at around £203,000 compared with £240,600 last year. It should be noted that the Company provided a net input of consultancy expertise to other members of the PHSC plc group during the year and group policy is such that no cross-charges have been generated.

#### **Adamson's Laboratory Services Limited (ALS)**

ALS's turnover fell by 15% in the year ended 31 March 2011 but the company remained busy throughout a difficult time in the construction industry and in the face of spending cuts in the public sector.

The core activity of asbestos surveying and consultancy stayed buoyant in an increasingly competitive market. The Hertfordshire County Council contract has been expanded to include management surveys of its schools and a considerable amount of homes work with St Georges Community Housing and Lewisham Homes has been secured which will continue throughout the next financial year.

The level of repeat business from existing clients has been pleasing with the Royal Household Property Section, University College London, University of Kent and University of Cambridge commissioning works throughout the year.

The Raunds office continues to be successful. A full time administration assistant has been employed to assist with data transfer.

All of the existing Appointed Safety Advisor Service (ASA) clients have renewed and the health and safety department is focused on expanding existing as well as gaining new contracts. The department continues to undertake occupational hygiene and legionella consultancy and has completed a four month contract for St Georges Community Housing.

The BOHS proficiency modules run on a regular basis and the demand for asbestos awareness training remains high. The most significant growth within the health and safety section has been fire risk assessments with numerous contracts having been secured during the year.

#### **RSA Environmental Health Limited (RSA)**

Turnover of £661,581 was generated in the year to 31 March 2011 representing the combined trading of RSA and In House the Hygiene Management Company Limited which merged on 31 March 2010 with "In House" becoming a trading division of RSA. A profit after tax of £2,794 was achieved representing an improvement over the losses of £5,786 and £71,431 generated by RSA on its own in the preceding two years.



# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2011*

The overall combined picture is one of a reduction in sales year on year attributable to the difficult economic climate. RSA has traditionally gained a large percentage of its turnover from the supply of temporary professional staff to local councils and this business sector has contracted significantly as a result of the government's spending review. Despite this, the core service offering of consultancy services and training has been stable and it is encouraging that tight expenditure control has resulted in a profit being returned.

The company will continue to focus efforts on expanding the core business of providing a safety advisor service as well as looking to provide a more complete package to local authorities via the opportunities brought about by the commissioning of services. In particular, the profile of In House within the independent school sector will continue to be capitalised upon, with the introduction of a school safety accreditation service being a particularly exciting new venture.

### **Envex Company Limited (Envex)**

Turnover of £176,910 was achieved in the year which resulted in a profit after tax of £32,153.

The trading environment in Envex's sector has been challenging and is expected to remain so for the next year. The focus continues to be on growing the Safety Advisor Support Service, which remains the cornerstone of the PHSC plc group of companies. We are exploring partnership arrangements with complementary sectors to offer clients added value as well deliver improved marketing.

The introduction of a new quality system has driven improved business processes and the Company is operating more efficiently as a result of the development work. Obtaining ISO 9001 accreditation is anticipated during the year ending 31 March 2012, which is expected to support the tender management programme.

Envex's ability to offer risk management training remains a unique offering within the PHSC plc group and Envex is looking to re-develop that area following the imminent release of the Institute of Risk Management's new 2-day risk management course.

### **Inspection Services (UK) Limited (Inspection Services)**

Inspection Services carries out statutory examinations and inspections on behalf of a broad range of clients, either directly or via agreements with insurance brokers. The marketplace is very competitive, and it has not been possible to improve revenues against this background. Whilst the majority of contracts were renewed at similar fee levels to the previous year, some were lost as a result of undercutting by other inspection bodies.

Costs of delivering the service were higher, due to a combination of increased travel expenditure and extra administration overheads in part caused by the provision of cover during maternity leave.

Computerisation of the inherited paper-based record-keeping systems is well underway and should be completed in the current calendar year.

Management systems were subject to audit by a train operating company, one of our largest direct clients, and found to be satisfactory. In addition, we continue to maintain membership of the Safety Assessment Federation (SAFed).

### **Quality Leisure Management Limited (QLM)**

In the fifteen month period post acquisition, the company generated turnover of £894,332 representing a 24% fall compared to the previous period on a pro-rata basis. The areas of the business which underperformed were the Institute of Sport and Recreation Management (ISRM) consultancy contract, the Institute for Cemetery and Crematorium Management (ICCM) assessment scheme (which reverted to being run directly by the client in July) and the Institute for the Management of Sport and Physical Activity (ISPAL) programme in England. Other income streams either outperformed or achieved the forecast drawn up at the beginning of the period. QLM's largest contract, the external verification programme of lifeguard training renews at the end of 2011 and the core business of health and safety support to the Company's client base continues to grow in challenging times.

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2011*

Some reorganisation and efficiency changes have been made and the directors are optimistic about the prospects for the coming year. Two new publications are in the pipeline and other recently developed products/services have been provisionally agreed with QLM's institute partners.

### **KEY PERFORMANCE INDICATORS (KPI's)**

The board currently looks at three KPI's.

#### 1. Total revenues

Total revenues are reviewed each month across the Group because this information gives a ready measure of how well the Group is performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate.

#### 2. Pre-tax profit per subsidiary before Group management charges

Profits before tax and management charges are reviewed by subsidiary each month because the board is keen to ensure that each subsidiary trades profitably. Although the Group does not adopt a policy of cross-charging between subsidiaries, informal account is taken of significant work done by one subsidiary on behalf of another.

#### 3. Staff turnover

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 85 and at the end of the year the figure was 78. During the year there were 10 joiners and 17 leavers. In some instances, by not replacing staff that have left the Group, a welcome reduction in costs has been achieved.

### **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.

In mitigation of these risks, the board is exploring non-regulatory areas of environmental work to add to the current portfolio of services.

#### *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 from Group companies may be affected by moves towards screen-based interactive learning.

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2011*

In recognition of this risk, an internet based health and safety service was tried within the Group, as a supplement to existing services. The Group acquired a small company offering such services in 2006 but it failed to deliver profits and was returned to its former owner.

### *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.

The Group and each subsidiary have contingency plans in place in the event of incapacity of key personnel.

### *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 UK.

The board, as part of its acquisition strategy, favours candidates who would support a northern-based operation. There are no plans to enter the overseas market.

### *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.

## **FINANCIAL RISK MANAGEMENT**

The Group's operations expose it to a variety of financial risks. The Group:

- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts;
- balances risk and return when assessing where to place cash surplus to the Group's immediate requirements; and
- keeps open options to employ debt finance to ensure that the Group has sufficient funds for continuing operations and planned expansions.

## **CAPITAL**

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings as disclosed in notes 10 and 11.

## **GOING CONCERN**

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2010' which requires the reasons for this decision to be explained. The

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2011*

directors regard the going concern basis as remaining appropriate as the Group has adequate resources to continue in operational existence for the foreseeable future based upon the Group's forecasts. The Group has a good level of cash reserves and no loans. The directors consider the existing overdraft facility to be adequate based upon the Group's financial forecasts. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **EMPLOYEES**

Each company within the Group has in place the necessary structures to ensure effective communication with its employees. In addition, there are initiatives to ensure that staff are offered continuing professional development opportunities appropriate to their roles. The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team meetings and briefings and bonuses are paid on the basis of individual performance and results at subsidiary and group level. The Group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

### **DIVIDENDS**

A dividend of £93,438 was paid during the year ended 31 March 2011 (2010: £89,896). The board is proposing a final dividend of 1.0p per ordinary share and a special additional dividend of 1.0p per ordinary share to be paid on 23 September 2011 to shareholders on the register as at 26 August 2011.

### **DIRECTORS**

The directors during the year under review were:

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

### **SHARE BUY BACKS**

There were no share buy backs during the year.

### **CREDITOR PAYMENT POLICY**

The Group seeks to maintain good relations with all of its trading partners. In particular, it is the Group's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 March 2011 the number of creditors days in respect of trade creditors was 17 (2010: 30).

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

Charitable donations of £734 (2010: £426) were made by the Group during the year. The Group does not make political contributions.

### **ENVIRONMENT AND SOCIAL AND COMMUNITY ISSUES**

The directors are aware of the impact of the Group's business on the environment and social and community issues but believe these to be minimal due to the nature of the Group's operations.

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)* *for the year ended 31 March 2011*

### ***SUBSTANTIAL SHAREHOLDINGS***

At 11 July 2011, the following persons had notified the company of an interest of 3% or more of its issued share capital.

<b>Name</b>	<b>Number of ordinary shares</b>	<b>Percentage of issued share capital</b>
S A King	3,103,100	29.89
N C Coote	3,084,342	29.71
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	849,057	8.18
AXA SA and Group companies including AXA Framlington AIM VCT 2 plc	646,509 412,399	6.23 3.97

### ***INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)***

The directors have implemented IFRSs as adopted by the European Union in the Group financial statements as required by the Alternative Investment Market (AIM).

### ***PROVISION OF INFORMATION TO AUDITOR***

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 Group's auditor is 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 auditor is aware of that information.

### ***ANNUAL GENERAL MEETING***

This year's annual general meeting will be held at 10.00am on Wednesday 7 September 2011 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 45 and 46 of this document and a form of proxy is on page 47.

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

#### **Appointment of auditor (Resolution 5)**

During the year the company's auditor, Horwath Clark Whitehill changed its name to Crowe Clark Whitehill. A resolution for the firm's reappointment will be put to the annual general meeting.

#### **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 £346,065.

Resolution 7 empowers the directors, until the earlier of the AGM in 2012 or 30 September 2012 to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,076,390 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 11 July 2011. It is intended to renew this authority and power at each annual general meeting.

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2011*

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

Resolution 8 authorises the company, until the end of next year's AGM (or, if earlier, 30 September 2012) to purchase in the market up to a maximum of 1,557,295 ordinary shares (equivalent to approximately 15% of the issued share capital of the company as at 11 July 2011) 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 company may 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 what would best promote the success of the company at the time. The company does not currently hold any shares in treasury.

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.

### **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.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. The directors will be voting in favour of them and unanimously recommend that you do so as well.

### ***On behalf of the board***

**L E Young**

*Secretary*

14 July 2011

# PHSC plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*for the year ended 31 March 2011*

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law and the company accounts under UK GAAP.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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;
- 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 adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the report of the directors and other information included in the annual report and financial statements is prepared in accordance with applicable law in the UK.

The maintenance and integrity of the PHSC plc website is the responsibility of the directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the UK governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

### **Going concern basis**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the group chief executive's review on pages 3 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within these financial statements. In addition, note 1 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources together with long-term contracts with its customers and has a diversified income stream. The Group does not have any current borrowing or any anticipated borrowing requirements. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.



# PHSC plc

## CORPORATE GOVERNANCE STATEMENT

*for the year ended 31 March 2011*

The directors of the company support high standards of corporate governance as set out in the UK corporate governance code. They apply the principles of that code to the Group in the way that they consider to be most appropriate to its size and stage of development. As the company's shares are traded on AIM, it is not required to comply with all of the provisions of the code.

### **THE BOARD AND COMMITTEES**

The board is made up of four directors, two of whom are executive (S A King and N C Coote) and two of whom are independent non-executive (M J L Miller and G N Webb MBE). The board has a list of matters that it does not delegate and a schedule of annual agenda items. This schedule has recently been reviewed and updated to ensure the board receives information in a timely way. Health and safety within the Group is considered at every board meeting. There is an audit committee and a remuneration committee. There is no separate nominations committee and the board as a whole deals with any matters that would normally be within the remit of such a committee. For example, the board reviews succession planning at senior levels within the Group at least annually.

During the year the directors have noted the issue of the new UK corporate governance code and the guidance associated with it. There are no significant implications for the Group's governance practices. The directors have continued to disclose their other interests (as required by the Companies Act 2006) and to date there have been no actual or potential conflicts of interest between these and the interests of the company.

The audit committee comprises Mr. Miller (chairman) and Mr. Webb. It has written terms of reference. During the year it has considered internal controls and risk management issues which are relevant to the Group, focusing on risks in the continuing economic downturn and following the change of government. The focus on managing outstanding debtors has continued and improvements have been seen in collections. 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.

There is an annual audit planning meeting between the external auditor and the committee chairman as well as a formal meeting with the auditor and the committee at the time of the final results. Where relevant, developments in accounting standards and reporting have been discussed during the year. The audit committee reviews annually whether the Group needs to have an internal audit function and does not consider this to be necessary at present.

The remuneration committee comprises Mr. Webb (chairman) and Mr. Miller. The committee has written terms of reference and considers all aspects of the remuneration of the executive directors and other senior executives. As in prior years, any payments to senior executives under the Group bonus plan are approved by the committee.

Copies of the committees' terms of reference and of the schedule of matters reserved for the board are available on request. The committees meet twice each year (or more often if required) and the board at least five times a year. During the year there was full attendance at all board and committee meetings.

### **CORPORATE RESPONSIBILITY**

Group companies are involved in the communities in which they operate and also provide sponsorship and donations to good causes. Details of these can be found on the corporate social responsibility section of the Group's website.



# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2011*

### **DIRECTORS' REMUNERATION**

The remuneration of the executive directors was as follows:

	Year ended 31.3.11			Post-employment benefits Pension	Year ended 31.3.10	
	Salary	Bonus	Benefits		Total	Total
S A King	£73,680	£6,301	£1,403	£4,135	£85,519	£95,007
N C Coote	£64,050	£6,301	£7,104	£3,202	£80,657	£81,595

All brought forward accrued pension contributions were paid during the year. Mr King's benefits pertain to health insurance and Ms Coote's to a company car and health insurance.

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

	Year ended 31.3.11	Year ended 31.3.10
M J L Miller	£12,000	£12,000
G N Webb	£18,000	£18,000

### **RELATIONS WITH INVESTORS**

Mr 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 AUDITOR'S REPORT TO THE SHAREHOLDERS

for the year ended 31 March 2011



We have audited the consolidated financial statements of PHSC plc for the year ended 31 March 2011 which comprise the group statement of comprehensive income, group statement of financial position, company balance sheet, group statement of changes in equity, group statement of cash flows and related notes 1 to 27.

The financial reporting framework that has been applied in preparing the Group accounts is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The company accounts have been prepared in accordance with UK GAAP.

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 auditor

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. We read all the financial and non-financial information in the Directors' Report, Group Chief Executive's Review and Corporate Governance Statement to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK GAAP; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Keith Newman** (*Senior Statutory Auditor*)

for and on behalf of Crowe Clark Whitehill LLP, Statutory Auditor  
10 Palace Avenue, Maidstone, Kent ME15 6NF

14 July 2011

## GROUP STATEMENT OF FINANCIAL POSITION

*as at 31 March 2011*

	Note	31.3.11 £	31.3.10 £
<b>Non-Current Assets</b>			
Property, plant and equipment	5	816,619	839,148
Goodwill	6	3,315,262	3,257,468
Deferred tax asset	15	1,239	5,221
		4,133,120	4,101,837
<b>Current Assets</b>			
Inventories	9	2,650	2,650
Trade and other receivables	8	1,381,374	1,780,766
Cash and cash equivalents	10	749,059	710,328
		2,133,083	2,493,744
<b>Total Assets</b>		6,266,203	6,595,581
<b>Current Liabilities</b>			
Trade and other payables	12	755,562	862,959
Current corporation tax payable		56,019	174,396
Short term provisions	14	100,000	250,000
		911,581	1,287,355
<b>Non-Current Liabilities</b>			
Long term provisions	14	–	100,000
Deferred tax liabilities	15	81,269	80,440
		81,269	180,440
<b>Total Liabilities</b>		992,850	1,467,795
<b>Net Assets</b>		5,273,353	5,127,786
<b>Capital and reserves attributable to equity holders of the Group</b>			
Called up share capital	11	1,038,196	1,038,196
Share premium account	11	1,497,409	1,497,409
Capital redemption reserve		143,628	143,628
Retained earnings		2,594,120	2,448,553
		5,273,353	5,127,786

The financial statements were approved and authorised for issue by the board of directors on 14 July 2011, and were signed on its behalf by:

**S A King**                      *Director*

*Accounting policies and notes on pages 22 to 44 form part of these financial statements*

## COMPANY BALANCE SHEET

as at 31 March 2011

	Note	31.3.11 £	31.3.10 £
<b>Fixed assets</b>			
Intangible assets	6	31,517	41,004
Tangible assets	5	196,435	204,211
Investments	7	3,902,580	3,902,580
		<u>4,130,532</u>	<u>4,147,795</u>
<b>Current Assets</b>			
Debtors	8	610,025	599,880
Cash at bank	10	–	245,476
		<u>610,025</u>	<u>845,356</u>
<b>Creditors</b>			
Amounts falling due within one year	12	256,345	321,996
<b>Net current assets</b>		<b>353,680</b>	<b>523,360</b>
<b>Provisions for liabilities and charges</b>			
	14	–	100,000
		<u>4,484,212</u>	<u>4,571,155</u>
<b>Capital and Reserves</b>			
Called up share capital	11	1,038,196	1,038,196
Share premium account	11	1,497,409	1,497,409
Capital redemption reserve		143,628	143,628
Profit and loss account		1,804,979	1,891,922
<b>Shareholders Funds</b>	27	<b>4,484,212</b>	<b>4,571,155</b>

The financial statements were approved and authorised for issue by the board of directors on 14 July 2011, and were signed on its behalf by:

**S A King**      *Director*

# PHSC plc

## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Note	31.3.11 £	31.3.10 £
<b>Continuing operations:</b>			
Revenue		4,813,773	4,922,198
Cost of sales	17	<u>(2,636,062)</u>	<u>(2,583,406)</u>
Gross profit		2,177,711	2,338,792
Administrative expenses	17	<u>(1,917,632)</u>	<u>(1,840,060)</u>
Other income	16	<u>66,593</u>	<u>2,060</u>
Profit from operations		326,672	500,792
Finance income	20	1,364	235
Finance costs	20	<u>–</u>	<u>(1,037)</u>
Profit before taxation		328,036	499,990
Corporation tax expense	21	<u>(89,035)</u>	<u>(157,753)</u>
<b>Profit after tax and total comprehensive income from continuing operations</b>		<u>239,001</u>	<u>342,237</u>
<b>Profit after tax and total comprehensive income</b>		<u>239,001</u>	<u>342,237</u>
<b>Attributable to:</b>			
Equity holders of the Group		<u>239,001</u>	<u>342,237</u>
Earnings per Share for profit after tax and total comprehensive income from continuing operations attributable to the equity holders of the Group during the year			
Basic	22	2.33p	3.21p
Diluted	22	2.33p	3.16p

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The profit for the year before dividends received from subsidiaries (2011: nil, 2010: £914,304) was £6,491 (2010: £7,811). There were no recognised gains and losses for 2011 or 2010 other than those included in the company profit and loss account.

Accounting policies and notes on pages 22 to 44 form part of these financial statements

# PHSC plc

## GROUP STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 March 2011*

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
<b>Balance at 1 April 2009</b>	1,107,601	1,487,873	63,628	2,336,012	4,995,114
Profit for year attributable to equity holders	-	-	-	342,237	342,237
Dividends	-	-	-	(89,896)	(89,896)
Issue of shares	10,595	9,536	-	-	20,131
Purchase of own shares	(80,000)	-	80,000	(139,800)	(139,800)
<b>Balance at 31 March 2010</b>	<u>1,038,196</u>	<u>1,497,409</u>	<u>143,628</u>	<u>2,448,553</u>	<u>5,127,786</u>
<b>Balance at 1 April 2010</b>	1,038,196	1,497,409	143,628	2,448,553	5,127,786
Profit for year attributable to equity holders	-	-	-	239,001	239,001
Dividends	-	-	-	(93,434)	(93,434)
<b>Balance at 31 March 2011</b>	<u>1,038,196</u>	<u>1,497,409</u>	<u>143,628</u>	<u>2,594,120</u>	<u>5,273,353</u>

*Accounting policies and notes on pages 22 to 44 form part of these financial statements*

# PHSC plc

## GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	Note	31.3.11 £	31.3.10 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	I	616,068	554,227
Interest paid		–	(1,037)
Tax paid		(202,604)	(61,374)
<b>Net cash generated from operating activities</b>		<b>413,464</b>	<b>491,816</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(33,463)	(11,323)
Purchase of subsidiary companies (net of cash acquired)		(250,000)	(320,049)
Disposal of fixed assets		800	–
Interest received		1,364	235
<b>Net cash used in investing activities</b>		<b>(281,299)</b>	<b>(331,137)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		–	(83,865)
Dividends paid to Group shareholders		(93,434)	(89,896)
Shares issued		–	20,131
Purchase of own shares		–	(139,800)
<b>Net cash used by financing activities</b>		<b>(93,434)</b>	<b>(293,430)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>38,731</b>	<b>(132,751)</b>
Cash and cash equivalents at beginning of year		710,328	843,079
<b>Cash and cash equivalents at end of year</b>		<b>749,059</b>	<b>710,328</b>

## NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	31.3.11 £	31.3.10 £
<b>I. CASH GENERATED FROM OPERATIONS</b>		
Operating profit - continuing operations	326,672	500,792
Depreciation and amortisation charge	51,730	82,243
Loss on sale of fixed assets	10,263	1,627
Increase in stock	–	(2,000)
Decrease/(increase) in debtors	334,799	(37,600)
(Decrease)/increase in creditors	(107,396)	9,165
<b>Cash generated from operations</b>	<b>616,068</b>	<b>554,227</b>

# PHSC plc

## ACCOUNTING POLICIES

*for the year ended 31 March 2011*

### General information

PHSC plc is a company listed on AIM and incorporated in the UK under the Companies Act 2006. The address of the registered office is given at the front of this report. The nature of the Group's operations and its principal activities are set out in The Report of the Directors on page 6. The financial statements are presented in pounds sterling which is the Group's functional and presentation currency. The figures shown in the financial statements are rounded to the nearest pound.

### Basis of preparation of financial statements

The Group's financial statements have been prepared in accordance with IFRSs, as adopted by the European Union, International Financial Reporting Intermediate Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention except as noted below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009' which requires the reasons for this decision to be explained. The directors regard the going concern basis as remaining appropriate as the Group has adequate resources to continue in operational existence for the foreseeable future based upon forecasts. Further details are provided in the directors' report.

### SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

<b>IFRS standards and interpretations issued (and EU adopted) but not yet effective</b>	<b>Effective date – accounting period beginning on or after</b>
<b>Title</b>	
Annual Improvements to IFRS	01/07/2010
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement	01/01/2011
Revised IAS 24 Related Party Disclosures (Issued 4 November 2009)	01/01/2011

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the company's profit for the period or equity. The adoptions may affect disclosures in the company's financial statements.

### Basis of Consolidation

The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2011.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The acquisition of subsidiaries has been accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of



# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2011*

acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on purchases prior to 1 April 2006 was capitalised and amortised over its useful economic life.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### **Grant Income**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

### **Property, Plant and Equipment**

Property, plant and equipment are stated at cost or fair value, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

At the date of transition to IFRSs, the carrying value of land and freehold buildings that had previously been revalued is shown as deemed cost, and not subsequently revalued.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

All other decreases are charged to the statement of comprehensive income.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

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

Material residual value estimates are updated as required.

An asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the statement of comprehensive income.

### **Operating Lease Commitments**

An operating lease is one in which a significant portion of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

### **Intangible Assets**

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. Such goodwill is capitalised as an intangible asset and is stated at cost less accumulated amortisation and impairment losses.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2011*

### **Impairment of Intangible Assets and Property, Plant and Equipment**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose, and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use, are tested for impairment at least annually. All intangible assets and property, plant and equipment with a finite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment losses are charged to administrative expenses.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value, calculated on purchase cost on a first-in, first-out basis.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

### **Financial Instruments**

Provision is made for diminution in value where appropriate.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised at initially fair value and subsequently measured at amortised cost.

### **Financial Liabilities**

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are measured initially at fair value, with all transaction costs being recognised immediately in the statement of comprehensive income. All other financial liabilities are measured initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are measured after initial recognition at fair value, with changes in fair value being taken to the statement of comprehensive income in the period in which they occur. All other financial liabilities are recorded at amortised cost, using the effective interest method, with interest-related charges being recognised as an expense under finance costs in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income on an accruals basis, using the effective interest method, and are added to the carrying amount of the instrument, to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, is cancelled, or expires.

# PHSC plc

## ACCOUNTING POLICIES *(continued)* *for the year ended 31 March 2011*

### **Taxation**

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their tax bases, except when, at the initial recognition of the asset or liability, there is no effect on accounting or taxable profit or loss. Deferred tax is determined using tax rates and laws that have been substantially enacted by the statement of financial position date, and that are expected to apply when the temporary difference reverses.

Tax losses available to be carried forward, and other tax credits to the Group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land), in which case the related deferred tax is also charged or credited directly to equity.

### **Provisions**

These are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

### **Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Employee Benefits**

The Group supports various personal pension arrangements. Agreed contributions are charged to the statement of comprehensive income as they become payable.

### **Revenue Recognition**

Revenue comprises the fair value of the consideration received or receivable by the Group for services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts. Revenue is recognised in line with contract activity and reflects the accrual to consideration as the contract activity progresses.

### **Dividend Distribution**

Dividend distributions payable to equity shareholders are included in "trade and other payables" when the dividends are approved in general meeting.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2011*

### **SUMMARY OF SIGNIFICANT COMPANY ACCOUNTING POLICIES**

The financial statements of PHSC plc (the company) have been prepared under UK GAAP but are similar to those of the Group which are prepared under IFRS except for the following policies.

#### **Goodwill**

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

#### **Investments**

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 as a minimum 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 612 of the Companies Act 2006 apply, cost is taken as the nominal value of the shares issued together with the fair value of any other consideration given.

#### **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. 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

### 1. FINANCIAL RISK MANAGEMENT

#### Financial Risk

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the board who evaluate and manage financial risks in close co-operation with the managing directors of the subsidiary companies. The Group

- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts;
- balances risk and return when assessing where to place cash surplus to the Group's immediate requirements; and
- keeps open options to employ debt finance to ensure that the Group has sufficient funds for continuing operations and planned expansions.

#### Market Risk

The Group has interest-bearing assets which are subject to a variable rate of interest. Thus the Group is only exposed to fair value interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

#### Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

#### Liquidity Risk

The Group did not rely on any loan finance during the year but avenues for securing debt finance are kept open to ensure that funds may be called upon if and when needed for operations and planned expansions. The board monitors the Group's liquidity position on the basis of expected cash flow on a regular basis.

The following table analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings, based on the remaining period to maturity at 31 March. The amounts disclosed are the contractual undiscounted cash flows:

	Less than 1 year £	Between 1 & 2 yrs £	Between 2 & 5 yrs £	Over 5 yrs £
<b>At 31 March 2011</b>				
Trade and other payables	755,562	-	-	-
<b>At 31 March 2010</b>				
Trade and other payables	862,959	-	-	-

#### Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as share capital plus reserves. The Group is not subject to any externally imposed capital requirements. The board monitors levels of cash and any excess levels have historically been used for acquisitions. Since 2008 the Group has run a share buy-back programme and is proposing a special additional dividend to be paid in September 2011 to continue providing shareholder returns.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* *for the year ended 31 March 2011*

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical Accounting Estimates and Assumptions**

The directors are required to make estimates and judgements concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity and areas where assumptions are significant to the production of these financial statements are disclosed below.

#### **(a) Provisions**

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome.

Note 14 provides details of a £100,000 liability included in short term provisions relating to the payment due on the second anniversary of the acquisition of QLM. Provided that QLM achieves pre-tax profits that average £100,000 for each of the two years immediately following acquisition, an additional amount of £100,000 will be payable. This figure will be adjusted, pound for pound up or down, according to performance against the target, but is capped at a maximum of £200,000.

Although provisions are reviewed on a regular basis and adjusted for the director's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

#### **(b) Taxation**

At the balance sheet date, tax liabilities and assets are based on the director's best estimate of the future amounts that will be settled. While the Group aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected.

#### **(c) Impairment of goodwill**

An impairment of goodwill has the potential to significantly impact upon the Group's statement of comprehensive income for the year. In order to determine whether impairments are required the directors estimate the recoverable amount of the goodwill. This calculation is based on the Group's forecasts for the following financial year extrapolated over a six year period assuming a zero growth rate. In accordance with the provisions of IAS 36 the estimated disposal proceeds, should the business be sold at the end of year 6, are included in the recoverable amount. Estimated future results for impairment calculations are based on the directors expectations of future volumes and margins based on the business plan. Full details are disclosed in note 6.

#### **Critical Judgements in applying the Entity's Accounting Policies**

Income as at 31 March 2011 has been valued in accordance with UITF40 (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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 3. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision-making. PHSC plc's operating segments are by subsidiary company as the directors and management team receive and make decisions based on monthly management accounts by subsidiary. A description of each subsidiary's trade is provided in the director's report on page 6.

The following table shows the Group's revenue and results for the year under review analysed by operating segment. Segment operating profit represents the trading profit after depreciation, but before tax and management charge. All revenue arose in the UK and all assets and liabilities are located in the UK. The Group's key customer profile is given in note 8. For the year ended 31 March 2010, the figures for QLM are for the three month period post acquisition.

	PHSC plc £'000	PHSCL £'000	RSA £'000	ALS £'000	Envex £'000	IH £'000	ISL £'000	QLM £'000	Total £'000
<b>As at 31 March 2011</b>									
Total revenue (all external)	-	928	661	2,095	177	-	247	706	4,814
Grant income	-	-	-	-	-	-	-	60	60
Depreciation	8	12	2	20	1	-	1	8	52
Taxation	4	56	1	2	9	-	1	16	89
Deferred taxation									(2)
Subsidiary operating profit	(410)	379	18	160	53	-	18	109	327
Consolidation adjustment:									
Goodwill impairment									-
Group profit from operations									<u>327</u>
Dividends receivable	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2010</b>									
Total revenue (all external)	-	979	635	2,455	190	190	270	203	4,922
Interest paid	1	-	-	-	-	-	-	-	1
Depreciation	8	14	1	19	1	1	1	2	47
Taxation	(1)	68	-	63	4	7	1	12	154
Deferred taxation									4
Subsidiary operating profit	(415)	419	8	390	29	45	20	40	536
Consolidation adjustment:									
Goodwill impairment									(35)
Group profit from operations									<u>501</u>
Dividends receivable	914	-	-	-	-	-	-	-	914

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2011

### 3. SEGMENTAL REPORTING – continued

The table below shows assets and liabilities by subsidiary, exclusive of inter-company balances.

	PHSC plc	PHSCL	RSA	ALS	Envex	ISL	QLM	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Year ended 31 March 2011</b>								
Non-current assets	4,132	378	427	204	1	1	30	5,173
Current assets	496	373	176	1,132	109	166	279	2,731
<b>Total assets</b>	<b>4,628</b>	<b>751</b>	<b>603</b>	<b>1,336</b>	<b>110</b>	<b>167</b>	<b>309</b>	<b>7,904</b>
Current liabilities	144	128	585	291	30	135	200	1,513
Non-current liabilities	-	-	-	7	-	-	6	13
<b>Total liabilities</b>	<b>144</b>	<b>128</b>	<b>585</b>	<b>298</b>	<b>30</b>	<b>135</b>	<b>206</b>	<b>1,526</b>
Net operating assets	4,484	623	18	1,038	80	32	103	6,378
Consolidation adjustments								
Non-current assets	i							(1,037)
Current assets	ii							-
Non-current liabilities	iii							(68)
<b>Net assets</b>								<b>5,273</b>
<b>Year ended 31 March 2010</b>								
Non-current assets	4,155	391	433	206	1	2	28	5,216
Current assets	250	244	167	1,268	70	160	270	2,429
<b>Total assets</b>	<b>4,405</b>	<b>635</b>	<b>600</b>	<b>1,474</b>	<b>71</b>	<b>162</b>	<b>298</b>	<b>7,645</b>
Current liabilities	318	96	100	382	20	124	247	1,287
Non-current liabilities	95	-	-	7	-	-	3	105
<b>Total liabilities</b>	<b>413</b>	<b>96</b>	<b>100</b>	<b>389</b>	<b>20</b>	<b>124</b>	<b>250</b>	<b>1,392</b>
Net operating assets	3,992	539	500	1,085	51	38	48	6,253
Consolidation adjustments								
Non-current assets	i							(1,120)
Current assets	ii							65
Non-current liabilities	iii							(70)
<b>Net assets</b>								<b>5,128</b>

(i) Adjustment of goodwill on consolidation including goodwill amortisation write back under IFRS and goodwill impairment.

(ii) Net asset adjustment on the purchase of Inspection Services.

(iii) Provision for deferred taxation under IFRS.

### 4. AUDITOR REMUNERATION

	31.3.11	31.3.10
	£	£
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	8,420	9,038
Release of accrual from previous years	(4,660)	-
Fees payable to the company's auditor for other services provided to the company and its subsidiaries:		
The audit of the company's subsidiaries under legislative requirements	11,700	13,260
Other services under legislative requirements	-	429
Tax services	5,980	7,550
	<b>21,440</b>	<b>30,277</b>



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 5. TANGIBLE FIXED ASSETS

<b>GROUP</b>	<b>Freehold property £</b>	<b>Improvements to property £</b>	<b>Fixtures and equipment £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>					
At 1 April 2009	786,500	18,830	256,025	68,674	1,130,029
Additions	-	-	11,323	-	11,323
Disposals	-	-	-	(12,185)	(12,185)
Acquisition of subsidiary	-	4,887	25,367	-	30,254
At 31 March 2010	786,500	23,717	292,715	56,489	1,159,421
Additions	-	-	33,463	-	33,463
Disposals	-	-	(23,325)	(11,295)	(34,620)
Acquisition of subsidiary	-	-	-	-	-
At 31 March 2011	786,500	23,717	302,853	45,194	1,158,264
<b>DEPRECIATION</b>					
At 1 April 2009	53,022	6,251	175,653	48,478	283,404
Charge for the year	15,730	2,495	24,559	4,641	47,425
Disposals	-	-	-	(10,556)	(10,556)
At 31 March 2010	68,752	8,746	200,212	42,563	320,273
Charge for the year	15,730	4,327	28,569	3,104	51,730
Disposals	-	-	(20,570)	(9,788)	(30,358)
At 31 March 2011	84,482	13,073	208,211	35,879	341,645
<b>NET BOOK VALUE</b>					
At 31 March 2011	702,018	10,644	94,642	9,315	816,619
At 31 March 2010	717,748	14,971	92,503	13,926	839,148
At 1 April 2009	733,478	12,579	80,372	20,196	846,625

Depreciation expenses of £51,730 (2010: £47,425) are included in administrative expenses in the statement of comprehensive income.

No tangible fixed assets are subject to a finance lease.

Lease rentals amounting to £172,382 (2010: £181,239), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 5. TANGIBLE FIXED ASSETS – continued

<b>COMPANY</b>	<b>Freehold property £</b>	<b>Improvements to property £</b>	<b>Motor vehicles £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>				
At 1 April 2009	196,500	15,396	21,275	233,171
Additions	-	-	-	-
At 31 March 2010	<u>196,500</u>	<u>15,396</u>	<u>21,275</u>	<u>233,171</u>
Additions	-	-	-	-
At 31 March 2011	<u>196,500</u>	<u>15,396</u>	<u>21,275</u>	<u>233,171</u>
<b>DEPRECIATION</b>				
At 1 April 2009	7,590	3,849	8,975	20,414
Charge for the year	3,930	1,540	3,076	8,546
At 31 March 2010	<u>11,520</u>	<u>5,389</u>	<u>12,051</u>	<u>28,960</u>
Charge for the year	3,930	1,540	2,306	7,776
At 31 March 2011	<u>15,450</u>	<u>6,929</u>	<u>14,357</u>	<u>36,736</u>
<b>NET BOOK VALUE</b>				
At 31 March 2011	<u>181,050</u>	<u>8,467</u>	<u>6,918</u>	<u>196,435</u>
At 31 March 2010	<u>184,980</u>	<u>10,007</u>	<u>9,224</u>	<u>204,211</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 6. INTANGIBLE FIXED ASSETS

<b>GROUP</b>	<b>Goodwill £</b>
<b>COST</b>	
At 1 April 2009	3,005,093
Additions	582,844
Revisions to deferred consideration	(25,000)
At 31 March 2010	3,562,937
Revisions to net assets	64,594
Disposals	(6,800)
At 31 March 2011	3,620,731
<b>AMORTISATION</b>	
At 1 April 2009	270,651
Impairment	34,818
At 31 March 2010	305,469
Impairment	-
At 31 March 2011	305,469
<b>NET BOOK VALUE</b>	
At 31 March 2011	3,315,262
At 31 March 2010	3,257,468
At 1 April 2009	2,734,442

The impairment charge is included within administrative expenses within the Group statement of comprehensive income.

<b>COMPANY</b>	<b>Goodwill £</b>
<b>COST</b>	
At 1 April 2009	53,739
Additions	-
At 31 March 2010	53,739
Disposal	(8,000)
At 31 March 2011	45,739
<b>AMORTISATION</b>	
At 1 April 2009	10,048
Charge for the year	2,687
At 31 March 2010	12,735
Charge for the year	2,687
Disposal	(1,200)
At 31 March 2011	14,222
<b>NET BOOK VALUE</b>	
At 31 March 2011	31,517
At 31 March 2010	41,004

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 6. INTANGIBLE FIXED ASSETS – continued

#### Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units, identified according to subsidiary.

The following table shows a summary of the goodwill allocation by subsidiary:

	31.3.11 £	31.3.10 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	594,952	594,952
RSA Environmental Health Limited	608,130	608,130
Adamson's Laboratory Services Limited	1,221,321	1,221,321
Envex Company Limited	12,806	12,806
In House The Hygiene Management Company Limited	–	–
Inspection Services (UK) Limited	244,594	180,000
Quality Leisure Management Limited	582,844	582,844
	<u>3,264,647</u>	<u>3,200,053</u>
At Company level	50,615	57,415
Total goodwill for Group	<u>3,315,262</u>	<u>3,257,468</u>

When considering impairment, the directors have taken the cash flow forecasts prepared for the year ended 31 March 2012 and have assumed that these will continue unchanged over a six-year horizon. A six year period has been used as the board uses this period to assess potential acquisitions. Adoption of a nil growth rate is deemed prudent in the current economic environment, though every avenue is being explored to develop each area of the Group's business to achieve growth by organic means as well as through acquisitions.

The cash flow projections:

- are based on profits before tax and inter group management charges;
- allow for estimated disposal proceeds should the business be sold at the end of year six in accordance with the provisions of IAS36, and;
- have been discounted using the Group's weighted average cost of capital (WACC) which has been calculated to be 8%.

The table below shows the amount by which each subsidiary's recoverable amount exceeds its carrying value. An illustration is also provided of the extent to which the key assumptions regarding cash flow and WACC need to change before impairment would be necessary.

	Margin in carrying value £	Annual cash flow at which impairment required £	WACC at which impairment required %
Personnel Health & Safety Consultants Limited and dormant subsidiaries	2,132,420	82,441	39
RSA Environmental Health Limited	12,724	84,267	8
Adamson's Laboratory Services Limited	1,113,788	169,235	20
Envex Company Limited	188,603	1,774	71
Inspection Services (UK) Limited	17,282	33,893	9
Quality Leisure Management Limited	445,065	80,763	18

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 7. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

#### Shares in Group Undertakings

COMPANY	31.3.11 £	31.3.10 £
At 1 April	3,902,580	3,667,479
Additions	–	652,733
Disposals	–	(417,632)
At 31 March	<b>3,902,580</b>	<b>3,902,580</b>

Investments in group undertakings are stated at cost and include the following subsidiaries:

Name of Company	Country of registration	Proportion of voting rights held	Nature of business
Personnel Health & Safety Consultants Limited	England	100%	Health and safety
Personnel Health & Safety Consultants (Southern) Limited	England	100%	Dormant
Personnel Health & Safety Consultants (Northern) Limited	England	100%	Dormant
Personnel Health & Safety Consultants (Midlands) Limited	England	100%	Dormant
CounterClaim UK Limited	England	100%	Dormant
RSA Environmental Health Limited	England	100%	Health and safety
Adamson's Laboratory Services Limited	England	100%	Health and safety
Envex Company Limited	England	100%	Health and safety
In House The Hygiene Management Company Limited	England	100%	Dormant
Inspection Services (UK) Limited	England	100%	Health and safety
Quality Leisure Management Limited	England	100%	Health and safety

### 8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
Trade receivables	1,137,165	1,343,430	–	–
Less provision for impairment of trade receivables	(2,375)	–	–	–
Trade receivables - net	1,134,790	1,343,430	–	–
Amounts due from related parties	–	–	592,427	590,567
Other debtors, prepayments and accrued income	246,584	437,336	16,359	4,092
Deferred tax asset	–	–	1,239	5,221
Total	<b>1,381,374</b>	<b>1,780,766</b>	<b>610,025</b>	<b>599,880</b>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 8. TRADE AND OTHER RECEIVABLES – continued

The following entities within the Group received revenues from transactions with a single external customer which amounted to 10% or more of their turnover for the year ended 31 March 2011. QLM was the only entity where this applied to two separate customers.

Entity	Percentage of turnover derived from a single customer
Adamson's Laboratory Services Limited	11%
Envex Company Limited	12%
Inspection Services (UK) Limited	17%
Personnel Health & Safety Consultants Limited	14%
Quality Leisure Management Limited	25%
Quality Leisure Management Limited	20%
RSA Environmental Health Limited	16%

There are no non-current receivables and no adjustment is required to result in a fair value.

At 31 March 2011, there were £2,375 impaired trade receivables (2010: nil).

The ageing of receivables over the Group's normal credit terms is:

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
Up to 3 months	333,865	351,180	–	–
3 - 6 months	135,016	63,483	–	–
Over 6 months	26,481	65,233	–	–
	495,362	479,896	–	–

The majority of year end trade receivable over 6 months relate to blue chip organisations including local authorities and universities. Historically the Group has had a good record of collecting debts with few bad debts.

Movements on the Group provision for impairment of trade receivables are as follows:

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
At 1 April	–	2,092	–	–
Provision for receivables impairment	9,947	10,674	–	–
Receivables written off during the year as uncollectible	(7,572)	(12,766)	–	–
At 31 March	2,375	–	–	–

The creation and release of the provision for impaired receivables is included in administrative expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the year-end is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2011

### 9. INVENTORIES

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
Stocks	<u>2,650</u>	<u>2,650</u>	<u>-</u>	<u>-</u>

### 10. CASH AND CASH EQUIVALENTS

The cash balance for the purposes of the cash flow statement were as follows:

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
Cash at bank and in hand	<u>749,059</u>	<u>710,328</u>	<u>-</u>	<u>245,476</u>

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc (see note 13).

### 11. CALLED UP SHARE CAPITAL

	Number of shares	Ordinary shares £	Share premium £	Total £
<b>GROUP AND COMPANY</b>				
<b>Called up, allotted and fully paid</b>				
At 31 March 2009	11,076,019	1,107,601	1,487,873	2,595,474
Share issue	105,954	10,595	9,536	20,131
Share buy backs	(800,000)	(80,000)	-	(80,000)
At 31 March 2010 and 2011	<u>10,381,973</u>	<u>1,038,196</u>	<u>1,497,409</u>	<u>2,535,605</u>

#### Warrants

The following warrants to acquire shares in PHSC plc, exercisable at 44p for a period of five years from the date of grant expired during the year without being exercised.

4 July 2005 - 57,692 warrants.

### 12. TRADE AND OTHER PAYABLES

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
<b>Current</b>				
Bank overdrafts	-	-	<b>112,193</b>	-
Trade payables	<b>78,950</b>	156,933	<b>2,389</b>	4,771
Amounts due to related parties	-	-	-	4,378
Social security and other taxes	<b>288,311</b>	319,072	<b>24,969</b>	25,395
Other creditors (see note 14)	-	-	<b>100,000</b>	250,000
Accrued expenses	<b>388,301</b>	386,954	<b>16,794</b>	37,452
Total	<u><b>755,562</b></u>	<u>862,959</u>	<u><b>256,345</b></u>	<u>321,996</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2011

### 13. FINANCIAL LIABILITIES

	Group		Company	
	31.3.11 £	31.3.10 £	31.3.11 £	31.3.10 £
<b>Current</b>				
Bank loans	-	-	112,193	-
	<u>-</u>	<u>-</u>	<u>112,193</u>	<u>-</u>

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. For technical reasons, HSBC plc granted the Group an overdraft facility of £100 that has not been used to date. Should the facility be called upon it would be secured by a debenture including a fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future. The facility is reviewed annually in July.

On 31 March 2011, PHSC plc's company balance was £112,193 overdrawn (2010: £245,476 in credit) within the Group's cash at bank and in hand figure of £749,059 (2010: £710,328).

### 14. PROVISIONS

GROUP AND COMPANY	Current £	Non-current £	Total £
At 1 April 2009	75,000	-	75,000
Decrease in consideration on past acquisitions (*)	(25,000)	-	(25,000)
Paid in year	(50,000)	-	(50,000)
Deferred consideration in respect of QLM (**)	250,000	100,000	350,000
At 31 March 2010	250,000	100,000	350,000
Paid in year	(250,000)	-	(250,000)
Change from non-current to current	100,000	(100,000)	-
At 31 March 2011	<u>100,000</u>	<u>-</u>	<u>100,000</u>

\* As at 31 March 2009 allowance was made for a potential payment relating to excess profits in respect of Inspection Services. The criteria for this payment were not met on the second anniversary of the date of acquisition and the provision was released as at 31 March 2010.

\*\* The QLM sale and purchase agreement provides for £250,000 to be paid on the first anniversary of the acquisition. The £100,000 included in non-current provisions relates to the payment due on the second anniversary. Provided that QLM achieve pre-tax profits that average £100,000 for each of the two years immediately following acquisition, an additional amount of £100,000 will be payable. This figure will be adjusted, pound for pound up or down, according to performance against the target, but is capped at a maximum of £200,000.



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 15. DEFERRED TAX

	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
<b>Deferred tax asset</b>				
At 1 April 2009	-	-	-	-
Credited to Income Statement	-	1,138	4,083	5,221
At 31 March 2010	-	1,138	4,083	5,221
Credited/(debited) to Income Statement	-	101	(4,083)	(3,982)
At 31 March 2011	-	1,239	-	1,239
<b>Deferred tax liabilities</b>				
At 1 April 2009	69,381	8,411	(4,140)	73,652
Debited to Income Statement	-	2,648	4,140	6,788
At 31 March 2010	69,381	11,059	-	80,440
Debited/(credited) to Income Statement	(5,768)	2,607	3,990	829
At 31 March 2011	63,613	13,666	3,990	81,269

Deferred tax has been provided on the revalued fixed assets at 26% (2010: 28%). At present it is not envisaged that any tax will become payable in the foreseeable future.

### 16. OTHER INCOME

	31.3.11 £	31.3.10 £
HMRC on-line filing bonus	-	525
Rent received	6,340	1,400
Grant income	60,000	-
Miscellaneous income	253	135
	<b>66,593</b>	<b>2,060</b>

During the year to 31 March 2011, QLM received financial assistance from the Scottish Government to deliver an assessment tool to assess the impact of physical activity interventions on the health of communities. The desired outcome is to improve good practice amongst physical activity providers and recognise their achievements. The Group recognised as income a grant of £60,000 for the year to 31 March 2011. The programme ended in April 2011, QLM having fulfilled all its obligations.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 17. EXPENSES BY NATURE

	31.3.11 £	31.3.10 £
Cost of sales	748,709	812,588
Staff related costs	2,814,395	2,606,809
Premises costs	82,295	76,671
Professional fees	68,754	112,239
Other expenses	839,541	815,159
Total cost of sales and administrative expenses	<u>4,553,694</u>	<u>4,423,466</u>

### 18. EMPLOYEES

Staff costs (including executive directors)

	31.3.11 £	31.3.10 £
Wages and salaries	2,486,894	2,306,738
Social security costs	252,481	236,948
Other pension costs	44,429	35,060
	<u>2,783,804</u>	<u>2,578,746</u>

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

	31.3.11	31.3.10
Directors	8	8
Consultants	52	55
Administrative	21	20
Total	<u>81</u>	<u>83</u>

### 19. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.11 £	31.3.10 £
Emoluments	188,839	200,192
Pension contributions to money purchase schemes	7,337	6,480
	<u>196,176</u>	<u>206,672</u>

The Corporate Governance Statement on pages 14 and 15 contains additional details of the remuneration received by the executive directors. Key management personnel are each company's directors.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 20. FINANCE INCOME AND COSTS

	31.3.11 £	31.3.10 £
Interest expense		
Bank loan interest	–	(1,037)
Finance income		
Interest received	<u>1,364</u>	<u>235</u>
Net finance income/(expense)	<u>1,364</u>	<u>(802)</u>

### 21. TAXATION

Analysis of tax charge in year

	31.3.11 £	31.3.10 £
Current tax:		
UK corporation tax on profits in the year	83,959	157,642
Adjustments in respect of previous year	<u>265</u>	<u>1,965</u>
Total current tax	84,224	159,607
Deferred tax on origination and reversal of timing differences (provided at 26%)	2,717	1,567
Adjustments in respect of previous year	<u>2,094</u>	<u>(3,421)</u>
Taxation	<u>89,035</u>	<u>157,753</u>

#### Factors affecting tax charge for year

The tax assessed for the year is higher (2010: higher) than the standard rate of corporation tax in the UK of 21% (2010: 28%).

The differences are explained below:

	31.3.11 £	31.3.10 £
Profit on ordinary activities before tax	<u>328,036</u>	<u>499,990</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010: 28%)	91,850	139,997
Effects of:		
Depreciation on non-qualifying assets	4,805	3,114
Expenses not deductible for tax purposes	3,944	16,206
Marginal relief	(7,581)	(5,535)
Adjustments in respect of prior periods	2,359	1,965
Deferred tax movement re tangible assets not recognised	(637)	–
Effect of change in deferred tax rate	<u>(5,705)</u>	<u>2,006</u>
Current tax charge	<u>89,035</u>	<u>157,753</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 22. EARNINGS PER SHARE

#### Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	31.3.11	31.3.10
Profit attributable to equity holders of the Group (£)	239,001	342,237
Weighted average number of ordinary shares in issue	10,276,019	10,676,841
Basic earnings per share (pence per share)	2.33p	3.21p

#### Diluted

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There was no dilution as at 31.03.11 as the last warrant expired on 4 July 2010.

	31.3.10
Profit attributable to equity holders of the Group (£)	342,237
Weighted average number of ordinary shares in issue (basic weighted average as above, diluted by 137,707 being the weighted average number of warrants in issue)	8,700,800
Diluted earnings per share (pence per share)	3.93p

### 23. DIVIDENDS

The dividends paid in 2011 and 2010 were £93,434 (0.90p per share) and £89,896 (0.85p per share) respectively. A dividend in respect of the year ended 31 March 2011 of 1.0p per ordinary share and a special additional dividend of 1.0p per share, amounting to a total dividend of £205,520 is to be proposed at the annual general meeting on 7 September 2011. These financial statements do not reflect this dividend payable.

### 24. COMMITMENTS

#### Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The Group also leases various motor vehicles under cancellable operating lease agreements. The lease expenditure is charged to the statement of comprehensive income during the year.

The minimum lease payments to which the Group is committed under non-cancellable operating leases for the coming year are:

	31.03.11		31.03.10	
	Land and buildings £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	8,207	34,129	1,337	23,058
Between two and five years	–	91,230	23,356	89,119
Total	<u>8,207</u>	<u>125,359</u>	<u>24,693</u>	<u>112,177</u>

The Group had no capital commitments at the year end.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2011*

### 25. RELATED PARTY DISCLOSURES

A management charge is levied by PHSC plc to its subsidiary companies to reflect the central services it provides. The charges were as follows

	31.3.11 £	31.3.10 £
Adamson's Laboratory Services Limited	<b>158,906</b>	185,531
Envex Company Limited	<b>12,600</b>	12,000
In House The Hygiene Management Company Limited	–	12,000
Inspection Services (UK) Limited	<b>12,600</b>	12,000
Personnel Health and Safety Consultants Limited	<b>188,500</b>	192,000
Quality Leisure Management Limited	<b>37,700</b>	–
RSA Environmental Health Limited	<b>12,600</b>	12,000
Total	<b>422,906</b>	<b>425,531</b>

The inter-company balances between PHSC plc and its subsidiary companies at the year end are summarised below:

	31.3.11 £	31.3.10 £
<i>Trade receivables:</i>		
Adamson's Laboratory Services Limited	<b>47,015</b>	45,660
Envex Company Limited	<b>3,600</b>	3,525
In House The Hygiene Management Company Limited	–	3,525
Inspection Services (UK) Limited	<b>3,600</b>	3,525
Personnel Health and Safety Consultants Limited	<b>52,200</b>	56,400
Quality Leisure Management Limited	<b>10,800</b>	–
RSA Environmental Health Limited	<b>3,600</b>	3,525
<i>Loans to related parties:</i>		
Envex Company Limited	<b>15</b>	–
In House The Hygiene Management Company Limited	<b>469,304</b>	470,519
Inspection Services (UK) Limited	–	3,888
Personnel Health and Safety Consultants Limited	<b>1,093</b>	–
RSA Environmental Health Limited	<b>600</b>	–
Quality Leisure Management Limited	<b>600</b>	–
<i>Amounts due to related parties:</i>		
Adamson's Laboratory Services Limited	–	(386)
Envex Company Limited	–	(814)
Personnel Health and Safety Consultants Limited	–	(1,110)
RSA Environmental Health Limited	–	(2,067)
Net amount receivable	<b>592,427</b>	<b>586,190</b>

PHSC plc dividends were paid to directors as follows:

	31.3.11 £	31.3.10 £
S A King	<b>27,928</b>	26,376
N C Coote	<b>27,759</b>	26,217
G N Webb MBE	<b>157</b>	149
Total	<b>55,844</b>	<b>52,742</b>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* *for the year ended 31 March 2011*

### 26. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the UK, is the ultimate parent company of the Group. There is no ultimate controlling party, but Mr S A King, Group Chief Executive, holds 29.9% (2010: 29.9%) of the issued share capital of PHSC plc.

### 27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.11	31.3.10
	£	£
<b>COMPANY</b>		
Profit for the financial year	6,491	504,483
Dividends paid	(93,434)	(89,896)
Issue of shares	–	20,131
Share buy backs	–	(139,800)
Net (reduction)/addition to shareholders' funds	(86,943)	294,918
Opening shareholders' funds	4,571,155	4,276,237
Closing shareholders' funds	4,484,212	4,571,155
Equity interests	4,484,212	4,571,155

# 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 Wednesday 7 September 2011 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 2011.
2. To declare a final dividend of 2.0p per ordinary share.
3. To re-elect Mr M J L Miller as a director.
4. To re-elect Mr G N Webb MBE as a director.
5. To appoint Crowe Clark Whitehill LLP as auditor 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.
6. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 551) up to a total nominal amount of £346,065 during the period commencing on the date of the passing of this resolution and expiring on 6 September 2016, 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.
7. 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 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash; under the authority conferred by resolution 5 above as if section 561(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 £207,639.

such power to expire at the conclusion of the annual general meeting of the company in 2012 or, if earlier, on 30 September 2012, 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 to make market purchases (as defined in the Companies Act 2006) 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 1,557,295;
  - (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 2012 or, if earlier, on 30 September 2012, 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

21 July 2011

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

### Notes

1. Shareholders, their duly appointed representatives or proxies are entitled to attend, speak and vote at the AGM. A shareholder can appoint the Chairman of the meeting or anyone else as their proxy and their proxy need not be a member of the company. A shareholder may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different ordinary shares. To appoint more than one proxy, the proxy form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the proxy form together with the number of shares in relation to which the proxy is authorised to act. All proxy forms must be signed and, to be effective, must be lodged with the company secretary so as to arrive not later than 10.00am on Monday 5 September 2011.
2. The return of a completed proxy form will not prevent a shareholder attending the AGM and voting in person if they wish to do so.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders entered in the register of members of the Company as at 6.00pm on 5 September 2011 or, if the meeting is adjourned, in the register of members at 6.00pm two days before the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after those times, shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting or at any adjournment.



# PHSC plc

## Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Wednesday 7 September 2011

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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr M J L Miller as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr G N Webb MBE as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Crowe Clark Whitehill as auditor and to authorise the directors to set their fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorise share buy backs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s) ..... (see note 5) Date .....

### Notes

- 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.
- 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.
- 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 beside 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.
- 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.
- 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.
- 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 with the company secretary, The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR,



