PHSC plc

Annual Report
2013

Adamson's Laboratory Services

B to B Links

Envex
Health, Safety & Risk Consultants

In House
In House The Hygiene Management Company

Inspection Services (U.K.)

Personnel Health & Safety Consultants

QCS International

QLM
Quality Leisure Management

RSA Environmental Health

PHSC plc

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for the year ended 31 March 2013

PHSC plc

COMPANY INFORMATION

for the year ended 31 March 2013

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SECRETARY:	L E Young
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GROUP CHIEF EXECUTIVE'S REVIEW

for the year ended 31 March 2013

I am pleased to present my review of the Group's performance over the year, and to update shareholders on the progress made at PHSC plc.

In last year's report I said that our future prospects would depend in part upon our ability to develop new products and a wider range of services. The improvement in revenues and profits that we are able to report has been made possible by our decision to add to our core activities. We made two acquisitions during the year; QCS International Limited (QCS) and B to B Links Limited (B to B), and both have made positive contributions.

Revenue and profit

Consolidated Group sales for the period rose to £5,791,400 from £4,434,300. This improvement of more than 30 per cent. can be attributed largely to the additional revenues generated by our two new companies, with QCS having been acquired at the end of July 2012 and B to B joining the Group at the start of October 2012. As a consequence of the improved revenues, the Group was able to generate a 35 per cent. increase to earnings before interest, taxation, depreciation and amortisation (EBITDA). The figure of £603,100 EBITDA compares with £445,500 generated in the previous year.

Costs

Following a pay freeze in the previous year, the remuneration committee approved a 2 per cent. general increase that took effect in July 2012. This award did not apply to directors on the main board.

At the start of the year, the business and assets of Envex Company Limited (Envex) were transferred to Adamson's Laboratory Services Limited (ALS) and Envex became a trading division of ALS. This led to some economies of scale.

In Q4, net proceeds of £71,000 were realised from the sale of the vacant property, previously occupied by RSA Environmental Health Limited (RSA), at Raunds. RSA now shares the adjacent ALS satellite offices and this has led to lower overall premises-related costs.

With Group revenues rising by over a third, it is unsurprising that overall costs of sales and overheads increased proportionately. In the case of B to B we now have a subsidiary that predominantly derives income from the installation and sale of equipment and consumables. The profiles of all our other businesses are largely of a service nature, whereby they sell only their time and expertise. This different emphasis has an impact on the cost of sales and necessitates the holding of product and equipment in stock. B to B is involved in a large CCTV installation contract and has had to purchase materials and services to enable it to gear up for the ongoing installation works.

Recent Acquisitions

QCS International Limited (QCS)

The entire share capital of QCS was purchased at the end of July 2012. QCS is a company incorporated in Scotland, and was established in 1987. The company specialises in quality, environmental, and health and safety management systems and assists organisations by providing practical support and training in systems such as ISO 9001, ISO 14001, OHSAS 18001 and ISO 13485.

The terms were for an initial consideration of £160,000 in cash and the issue of 79,186 Ordinary Shares in PHSC plc, and net assets £ for £. On the first anniversary a further £160,000 becomes due under the contract but after adjustments this payment will be £121,000. This arises because the cash and cash-equivalent net assets purchased at completion were overvalued. An overpayment of approximately £39,000 arose as it was found that QCS had received several advance payments for services. At the time of completion, we and the sellers were fully aware that an adjustment would be required but could not quantify this until completion accounts had been prepared. The reduced sum payable on the first anniversary does not affect the overall consideration, as in effect the payment at completion was £199,000. A final payment of £80,000 is due two years after completion, subject to adjustment up or down according to performance against targets.

The acquisition of QCS enables the Group to offer a number of new services. It will also help to expand the Scottish marketplace for the Group, in that QCS will be able to introduce all of the Company's services to their existing clients.

B to B Links Limited (B to B)

The Company acquired the entire share capital of B to B at the end of September 2012. B to B is a retail security and labelling company that provides a range of security solutions to independent and large, national retailers. Their core business is the prevention of stock loss through the use of electronic article surveillance (EAS) designed specifically for the protection of small and vulnerable products. B2B is the recognised preferred security partner of a number of trade associations. They are one of the market leaders and specialists in the supply of EAS security tagging systems to protect perfumes, gift items and alcohol in a variety of retail outlets, including shops on board ferries operating in both UK and international waters, duty free shops in international airports and in the high street.

A growing part of the company's business is the installation of closed circuit television systems, and at the time of acquisition they had secured an agreement with a major department store chain. This CCTV agreement has generated average revenues of £75,000 per month.

Consideration for the acquisition was satisfied via an initial cash payment of £303,444 at completion, and the issue of 145,189 new ordinary shares of PHSC plc. A further cash payment of £320,000 falls due on the first anniversary, and a final cash payment on the second anniversary of between £120,000 and £800,000 subject to performance over the period since completion. Cash and other assets were purchased at fair value based on the completion accounts.

The acquisition of B to B has enabled the company to diversify from its core business of health and safety consultancy and training.

Other Opportunities

The Group is not currently considering any further acquisitions. We believe that calls on our cash to satisfy the two most recent purchases will limit our ability to fund enlargement of the company during the present earn-out periods. We also take the view that after increasing the size of the Group by a third in the course of the year, a period of consolidation is necessary.

Corporate Structure

There has been no change to the make-up of the board. It consists of myself, Nicola Coote (executive director), and two non-executive directors (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 2014. Our chartered secretary, Lorraine Young, supports the board and its committees. All corporate matters relating to accounting are ably dealt with by our group accountant, Candy Wilton.

Despite recent upward movements, our shares continue to trade well below asset value. The board regularly reviews each area of corporate expenditure, including that relating to our trading platform, to satisfy itself that maintaining an AIM listing remains appropriate. We do however remain committed to AIM, and the associated costs become easier to justify when we are in a period of corporate growth.

Employees

I recognise that our success as a group is entirely dependent upon the commitment, skills and input of every employee at every subsidiary company. On behalf of the board, I wish to thank all of the Group's employees for their support and enthusiasm over the past year. We are committed to taking all reasonable steps to safeguard the welfare of, and recognise the contribution made by, each member of staff.

Performance by Trading Subsidiaries

Profit figures below are stated before tax and Group management charges. Note that revenues for services are credited to the company generating the sale even if the work is delivered by a sister company. For that reason, reference should be made to the Group's overall performance instead of looking at how individual subsidiaries have fared.

Personnel Health and Safety Consultants Limited

Sales of £765,500, yielding a profit of £300,000.

In the previous year there were sales of £770,600 and a profit of £313,000.

GROUP CHIEF EXECUTIVE'S REVIEW *(continued)*

for the year ended 31 March 2013

RSA Environmental Health Limited

Sales of £420,700, yielding a profit of £10,900.

In the previous year there were sales of £474,300 and a loss of £3,300.

Adamson's Laboratory Services Limited

Sales of £2,366,900 yielding a profit of £366,700.

In the previous year there were combined (with Envex Company) sales of £2,223,800, yielding a combined profit of £300,600.

Inspection Services (UK) Limited

Sales of £202,100, yielding a profit of £6,600.

In the previous year there were sales of £242,100, yielding a profit of £13,000.

Quality Leisure Management Limited

Sales of £607,600, yielding a profit of £119,300.

In the previous year there were sales of £723,500, yielding a profit of £160,800.

B to B Links Limited

In the six-month period since acquisition there were sales of £1,093,700 yielding a profit of £83,500.

QCS International Limited

In the eight-month period since acquisition there were sales of £334,600 yielding a profit of £98,000.

Net Asset Value

As at 31 March 2013, the Company had net assets of £5.63 million. There were 10,606,348 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 53p. At the price of 27.5p per share on 9 July 2013, the Ordinary Shares of the Company are currently trading at a discount of almost 50 per cent. to the net asset value.

Each year we evaluate the level of goodwill associated with each historical acquisition, to ensure that the value on the balance sheet can still be justified. We have written down the carrying value of Inspection Services (UK) Limited by £39,400 this year, in recognition of the reducing contribution that the subsidiary is likely to contribute to Group profits going forward. We remain comfortable with all other valuations.

Dividend

The board is proposing a final dividend of 1.5p per ordinary share. This is an increase from the ordinary dividend of 1.0p last year. However, due to cash calls in connection with acquisitions previously outlined, we are unable to pay an additional dividend (last year: 1.0p per ordinary share). Subject to approval at the annual general meeting, the dividend of 1.5p per ordinary share will be paid on 30 September 2013 to shareholders on the register as at 23 August 2013.

Prospects

Health and Safety marketplace

We see this as a maturing market in which margins are progressively diminishing. There remain many pro-active clients who understand the importance to their business of maintaining good health and safety standards. This is largely where our client base lies. Elsewhere there is often customer reluctance to spend beyond what is seen as absolutely necessary to achieve basic compliance, combined with a reduction in the perceived importance of health and safety in the work environment. There is less focus by regulators on all but the most hazardous of workplaces, leaving many employers to take the view that compliance is not seen as important as it once was. This is exemplified by a reduced number of routine inspections by enforcing authorities, and a strategy that sees far fewer investigations of workplace injuries.

Key areas for Group subsidiaries remain those of asbestos management, health and safety in the leisure, care, transport and education sectors, statutory examination of plant and machinery, and the provision of various forms of worker and management training.

GROUP CHIEF EXECUTIVE'S REVIEW *(continued)*

for the year ended 31 March 2013

Quality systems

We expect to see organic incremental growth in our QCS subsidiary across the key areas of public training, in house training, consultancy, and outsource services for management systems. The company is based in Cumbernauld (near to Glasgow) and has a strong presence in central belt Scotland. It enjoys significant revenue from customers both nationally and internationally, but we see potential to expand the client base geographically particularly into England.

SafetyMARK

As anticipated, 2012/13 was a formative year for our new SafetyMARK audit and certification service that has been launched initially in the education sector. This service is delivered by the In House division of RSA Environmental Health Limited. In the year, revenues of around £31,000 were generated but there were one-off set-up costs in the order of £20,000. We expect to more than double this source of income in 2013/14 and to achieve higher margins now that the launch costs are behind us. There are also opportunities for partnerships with other providers of services to schools and colleges.

Retail security

Through our most recent acquisition, B to B, we expect to increase our presence in this marketplace. As well as launching new products to the sector, we propose to capitalise on B to B's good reputation and high profile to increase revenues from our current range. We are presently working to build a more robust infrastructure, necessary to adequately service the rapid expansion of the CCTV side of the business. Once this new structure is in place, we will be well-positioned to target a wider variety of sales opportunities. We also recognise that potentially there is an overlap between security and safety, meaning that will be scope for cross-selling other Group services to the client base.

Expectations

Thanks in no small measure to our decision to diversify into new areas of business, the future of the Company looks more positive than it has done for some time.

With a far smaller reliance on income derived from the public sector, we have probably seen the end of the direct effects of Government spending cuts. Confidence in the private sector, however, remains low in comparison to pre-recession sentiment. It will take some time for organisations to reinstate their budgets for many of the services we provide, and these are unlikely to return to previous levels.

Our core of retained clients will continue to provide a revenue stream and this will underpin the business as it adapts to different ways of working. The demand for asbestos management services will remain a major contributor to revenues as this area is highly regulated for good reason.

We predict that revenue and profit from our new subsidiaries will more than make up for any shortfall from the rest of the Group. Our current projection is that 2013/14 will see revenues rise to between £6.5 – £6.8m and if that is borne out we would be expecting EBITDA in the order of £700,000 – £750,000.

Unusually for PHSC plc, and directly because of acquisition payments falling due in the year, we will not have the security of a strong cash balance. Nevertheless, we have an agreement with our bankers that any facilities we require will be forthcoming, subject to the normal caveats.

In summary, I am confident that the Company has made satisfactory progress and is going in the right direction. On behalf of the board I would like to thank all shareholders for their continued support.

Stephen King
Group Chief Executive

REPORT OF THE DIRECTORS

for the year ended 31 March 2013

The directors present their report with the audited financial statements of PHSC plc Company and Group for the year ended 31 March 2013.

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. As a result of an acquisition made in the year, the sale of security and labelling equipment and consumables has been added to the activities of the Group.

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 6. A review of the activities of each trading subsidiary is provided below.

Personnel Health & Safety Consultants Limited (PHSCL)

Turnover was £765,500, marginally lower than the revenues of £770,600 achieved in the previous year. This reflected a stabilisation of the business following the sharp decline caused by recessionary influences in the UK economy. Overall earnings before interest, taxation and depreciation stood at around £137,300 compared with £163,000 last year. Profitability was affected by a £12k increase in management charges levied by the parent company, a 2 per cent. wage rise for all employees after the previous year's pay freeze, higher property maintenance charges, and generally lower margins. During the period, the company continued to be a net provider of consultancy and training services to clients of other members of the PHSC plc group. Group policy dictates that no cross-charges were generated to reflect this contribution.

Adamson's Laboratory Services Limited (ALS)

ALS's turnover for the year ended 31 March 2013 increased by 11 per cent. and resulted in a profit of £135,700 as compared to £112,700 in the previous year.

The incorporation of Envex Company Limited (Envex) into ALS has worked well. Envex has become the health and safety arm of ALS, incorporating Appointed Safety Advisor clients from both companies. The department continues to undertake occupational hygiene and legionella consultancy. Unfortunately ALS failed to win the legionella risk assessment tender for Chelmer Housing Partnership. Asbestos awareness training remains popular with clients, and the British Occupational Hygiene Society proficiency modules run on a regular basis with a high success rate.

The main activity of asbestos surveying and consultancy has stayed busy and there has been a growth in the amount of repeat business. A number of contracts have been extended and ALS has a permanent member of staff based at both University College London and The University of Cambridge. Repeat business from existing clients continues strongly with the Royal Household Property Section, University College London, Cambridge County Council, Lewisham Education and Operations and The University of Cambridge commissioning works throughout the year. A large amount of "decent homes" work has been commissioned this year through Breyer Group Plc and Mitie Group Plc.

ALS has maintained its accreditation with UKAS and ISO 9001.

RSA Environmental Health Limited (RSA)

The performance of RSA in 2012/13 was as anticipated and outlined in last year's review, in that the contraction of the Local Authority market continued albeit with a smaller percentage reduction than in the previous year. Despite significant expenditure related to the promotion of the SafetyMARK service for schools, RSA's final performance stabilised. The uptake of the SafetyMARK service was a significant positive for RSA, combined with success in upselling the complementary SafetyTEAM support service for schools. Furthermore, the company added strong, school-specific training courses to its portfolio and was successful in gaining the Institute of Occupational Safety and Health (IOSH) accreditation for them. These have proved to be extremely popular, particularly as they are now delivered by RSA on behalf of the National Association of School Business Management (NASBM).

As set out last year, the financial model shows RSA making a return to profitability in 2013/14 when the second year of income from existing SafetyMARK scheme members filters through together with income from new members in their first year. Given the increasing profile of the company in the school sector, it is now targeting larger contracts with groups of schools via trusts, academy chains and clusters.

Inspection Services (UK) Limited (ISL)

ISL carries out statutory examinations and inspections on behalf of a broad range of clients, either directly or via commission-based agreements with insurance brokers.

Annual revenues reduced to £202,100 from £242,100 in the previous year, largely as a result of a contraction in the client base. Several clients also reduced the amount of equipment that they use within their businesses, resulting in fewer items to examine and a consequent reduction in income.

The business has a high volume of low value contracts, which typifies the marketplace occupied by smaller independent examining companies like ours.

After deduction of management charges by the parent company, the year has broadly resulted in a break-even position.

Quality Leisure Management Limited (QLM)

QLM generated income of £607,600 in the year ended 31March 2013, some £28,900 ahead of forecast. This was mainly due to better than expected income from consultancy activities for key clients. Gross profit before tax and central charges was £119,300, £8,100 higher than anticipated due to the additional spend on sub-contractors for specific projects. We are pleased with the high degree of customer loyalty and repeat business and we are aware that the sport and leisure management industry (specifically for those running Local Authority subsidised leisure facilities) faces challenging times. It is our intention to continue to support the industry with good value services and innovative products and to target wider aspects of the leisure industry. The expert witness assignments continue steadily, as the QLM team are recognised as leading specialists in their field. The QLM Appointed Safety Advisor continues to attract new clients.

QCS International Limited (QCS)

QCS became a member of the PHSC plc Group on 1 August 2012 and so the consolidated accounts reflect 8 months of trading under the new management structure. In this period turnover rose slightly above the 2012 levels. The new management team has reduced direct costs and overheads, increasing margins and generating an operating profit of £98,100 for the 8 month post acquisition period. This compares to £87,600 for the full 12 months to March 2012.

With the exception of one major consultancy client lost pre acquisition, QCS has retained all outsource consultancy clients and added a significant number of new customers to the consultancy portfolio. The demand for fully integrated and medical device management, an area of expertise within QCS, has increased both consultancy and training sales.

Despite the Scottish market place continuing to be susceptible to a downward trend in training, QCS increased public training sales and maintained in house training sales. Marketing and forward planning continues to be a major strength at QCS anticipating and responding to changing market trends. New courses were added to the public programme throughout 2012-2013.

A partnership has been agreed between QCS and a Danish course provider for medical device courses in Denmark, Sweden and Norway commencing in June 2014 which will significantly increase the growth of in house sales in

2013-2014. Coupled with an already strong order book of consultancy and public course sales, QCS is confident of additional growth in the year ahead.

B to B Links Limited (B to B)

B to B was acquired by PHSC plc on 28 September 2012. During the six months following acquisition, turnover was higher (£1,093,700) than in the six month period prior to acquisition (£756,700), resulting from the company's success in securing a CCTV contract with a national retailer.

Profit before management charge and taxation was lower in the six months post-acquisition (£82,800) compared to £156,200 over the period April to September 2012. The acquisition process, combined with the simultaneous pursuit of the CCTV contract, reduced management focus on higher-margin security tagging sales, and this trend continued during the post-acquisition handover period. The set-up and delivery of the CCTV contract has also demanded significantly more up-front management focus and sub-contractor input than originally anticipated. A technical project manager is currently being recruited in order to drive efficiencies in project delivery and free up management time for marketing and sales.

The outlook for the retail security sector overall remains strong, and B2B's competitive position in the market place is good, with an innovative range of products and services.

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 subsidiaries 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. The average number of directors and staff employed during the year rose from 70 to 85 (note 17). The equivalent of 16 full time employees joined the Group further to the acquisition of QCS and B to B. A further 15 employees joined the group and 10 people left. A number of employees requested a reduction in their working hours for personal reasons.

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 has diversified the Group's range of offerings by acquiring B to B Links Limited, a retail security and labelling company and 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.

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 a number of organisations see benefit in using consultancies that are local to them. The acquisitions made during the year, particularly QCS International Limited with an office in Scotland, have increased the geographical spread of the Group and assist in mitigating this risk.

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. The Group has internal processes in place to ensure that the licences and accreditations are maintained.

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.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2013

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 9 and 10.

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 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 directors have been informed by their bankers that an overdraft facility of up to £100,000 will be provided at 48 hours notice. This can be extended if required subject to the normal caveats. 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 £104,612 was paid during the year ended 31 March 2013 (2012: £103,820) plus an additional dividend of £104,611 (2012: £103,820). The board is proposing a final dividend of 1.5p per ordinary share to be paid on 30 September 2013 to shareholders on the register as at 23 August 2013.

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 2013 the number of creditors days in respect of trade creditors was 24 (2012: 13).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £468 (2012: £3,487) were made by the Group during the year. The Group does not make political contributions.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2013

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.

SUBSTANTIAL SHAREHOLDINGS

At 11 July 2013, the following persons had notified the company of an interest of 3 per cent. or more of its issued share capital.

Name	Number of ordinary shares	Percentage of issued share capital
S A King	3,103,100	29.26
N C Coote	3,084,342	29.08
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	849,057	8.01
Downing LLP Held via Downing Income VCT 4 Plc and Downing Income VCT Plc	641,499	6.05

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 Monday 9 September 2013 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 56 and 57 of this document and a form of proxy is on page 59.

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

Appointment of auditor (Resolution 4)

A resolution for the reappointment of Crowe Clark Whitehill as the company's auditor will be put to the annual general meeting, together with the usual practice of authorising the directors to set the auditor's fees.

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

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 30 September 2014 to allot securities up to an aggregate nominal amount of £350,000.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 30 September 2014 to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,121,260 ordinary shares of 10p each, equivalent to 20 per cent. of the issued share capital as at 11 July 2013. It is intended to renew this authority and power at each annual general meeting.

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

Resolution 7 authorises the company, until the earlier of next year's AGM or 30 September 2014 to purchase in the market up to a maximum of 1,590,952 ordinary shares (equivalent to approximately 15 per cent. of the issued share capital of the company as at 11 July 2013) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 per cent. 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

31 July 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2013

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 6. 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 adequate financial resources together with long-term contracts with its customers and has a diversified income stream. Arrangements are in place with the Group's bankers to secure an overdraft should the need arise to fund anniversary payments due in respect of the acquisitions made during the year. 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.

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2013

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.

LEADERSHIP

The board is made up of four directors, two of whom are executive, S A King (group chief executive) and N C Coote (deputy group chief executive) and two of whom are independent non-executive, M J L Miller and G N Webb MBE. Mr King acts as chairman and chief executive. Since the board is comprised of only four members, the directors are of the view that there is no need to split these roles and for the same reason they have not appointed a senior independent director. Mr Miller has served eight years on the board and Mr Webb has served ten years. The board is of the view that Mr Webb retains his independent judgment and continues to make a valuable contribution to the board even though he has been on the board for more than nine years. Biographical details of the directors can be found on the company's website (www.phsc.plc.uk).

The directors have a duty to promote the success of the company and to this end the board has clearly defined responsibilities set out in a formal schedule of matters reserved to it which includes setting the company's strategy; approving business plans; approving the annual report and accounts and shareholder communications; ensuring a sound system of internal controls and risk management; approving major contracts; determining the remuneration policy (on the recommendation of the remuneration committee); and making appointments to the board and other offices. During the year this schedule was reviewed and updated to ensure it remains in line with current best practice. Health and safety within the Group is considered at every board meeting.

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.

EFFECTIVENESS

The board meets at least five times each year and the committees meet twice each year (or more often if required). During the year there was full attendance at all board and committee meetings. Monthly management accounts are circulated to all directors. All directors have access to advice from the company secretary.

COMMITTEES

The board has delegated certain matters to committees. There is an audit committee and a remuneration committee. The terms of reference of these committees are available on request. 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.

The audit committee comprises Mr Miller (chairman) and Mr Webb. During the year it has considered internal controls and risk management issues which are relevant to the Group, focusing in particular on any new issues which may arise following the recent acquisitions. 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. The committee considers the continuing independence of the external auditor and notes the level of non-audit fees to ensure they remain at an acceptable level. 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*

for the year ended 31 March 2013

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. It also hears representations on any proposed general pay increases across Group subsidiaries, and is responsible for approving those (or otherwise).

DIRECTORS' REMUNERATION

The remuneration of the executive directors was as follows:

	Year ended 31.3.13					Year ended 31.3.12
	Short-term employee benefits			*Post-employment benefits*		
	Salary	**Bonus**	**Benefits**	**Pension**	**Total**	Total
S A King	£62,892	£4,609	£1,507	£3,375	£72,383	£59,992
N C Coote	£62,050	£4,609	£5,292	£3,102	£75,053	£76,651

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 31.3.13	Year ended 31.3.12
M J L Miller	£10,000	£10,000
G N Webb	£12,000	£12,000

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.

RELATIONS WITH SHAREHOLDERS

The annual report is sent to all shareholders and, on request, to other parties who have an interest in the group's performance. The company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders. All shareholders have the opportunity to put forward questions at the company's AGM. 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC plc

for the year ended 31 March 2013

Crowe Clark Whitehill

We have audited the consolidated financial statements of PHSC plc for the year ended 31 March 2013 which comprise the group statement of comprehensive income, group statement of financial position, group statement of changes in equity, group statement of cash flows and related notes 1 to 26. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members 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 2013 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

31 July 2013

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2013

	Note	31.3.13 £	31.3.12 £
Non-Current Assets			
Property, plant and equipment	5	**713,262**	769,579
Goodwill	6	**4,637,077**	3,315,262
Deferred tax asset	14	**2,742**	2,600
		5,353,081	4,087,441
Current Assets			
Inventories	8	**152,871**	6,425
Trade and other receivables	7	**2,037,724**	1,225,801
Cash and cash equivalents	9	**216,088**	902,582
		2,406,683	2,134,808
Total Assets		**7,759,764**	6,222,249
Current Liabilities			
Trade and other payables	11	**1,098,678**	666,577
Financial liabilities	12	**13,198**	–
Current corporation tax payable		**174,464**	112,292
Deferred consideration	13	**441,148**	–
		1,727,488	778,869
Non-Current Liabilities			
Financial liabilities	12	**6,498**	–
Deferred consideration	13	**330,000**	–
Deferred tax liabilities	14	**68,628**	72,999
		405,126	72,999
Total Liabilities		**2,132,614**	851,868
Net Assets		**5,627,150**	5,370,381
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,060,634**	1,038,196
Share premium account	10	**1,555,529**	1,497,409
Capital redemption reserve		**143,628**	143,628
Retained earnings		**2,867,359**	2,691,148
		5,627,150	5,370,381

The financial statements were approved and authorised for issue by the board of directors on 31 July 2013, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 22 to 43 form part of these financial statements

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2013

	Note	31.3.13 £	31.3.12 £
Continuing operations:			
Revenue		**5,791,359**	4,434,307
Cost of sales	16	**(3,010,500)**	(2,256,418)
Gross profit		**2,780,859**	2,177,889
Administrative expenses	16	**(2,268,026)**	(1,786,139)
Other income	15	**5,682**	6,737
Profit from operations		**518,515**	398,487
Finance income	19	**2,163**	8,906
Finance costs	19	**(850)**	(242)
Profit before taxation		**519,828**	407,151
Corporation tax expense	20	**(137,477)**	(108,072)
Profit for the year after tax attributable to owners of the parent		**382,351**	299,079
Other comprehensive income		**–**	–
Total comprehensive income attributable to owners of the parent		**382,351**	299,079
Attributable to:			
Equity holders of the Group		**382,351**	299,079
Basic and Diluted 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	21	**3.64p**	2.91p

Accounting policies and notes on pages 22 to 43 form part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2013

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2011	1,038,196	1,497,409	143,628	2,594,120	5,273,353
Profit for year attributable to equity holders	–	–	–	299,079	299,079
Deferred tax adjustment to property valuation	–	–	–	5,588	5,588
Dividends	–	–	–	(207,639)	(207,639)
Balance at 31 March 2012	1,038,196	1,497,409	143,628	2,691,148	5,370,381
Balance at 1 April 2012	1,038,196	1, 497,409	143,628	2,691,148	5,370,381
Profit for year attributable to equity holders	–	–	–	382,351	382,351
Issue of shares	22,438	70,300	–	–	92,738
Stamp duty on issue of shares	–	(12,180)	–	–	(12,180)
Deferred tax adjustment to property valuation	–	–	–	3,083	3,083
Dividends	–	–	–	(209,223)	(209,223)
Balance at 31 March 2013	1,060,634	1,555,529	143,628	2,867,359	5,627,150

Accounting policies and notes on pages 22 to 43 form part of these financial statements

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	31.3.13 £	31.3.12 £
Cash flows from operating activities:			
Cash generated from operations	I	**427,108**	514,030
Interest paid		**(850)**	(242)
Tax paid		**(182,705)**	(55,840)
Net cash generated from operating activities		**243,553**	457,948
Cash flows from investing activities			
Purchase of property, plant and equipment		**(25,371)**	(6,009)
Purchase of subsidiary companies (net of cash acquired)		**(785,866)**	(107,097)
Disposal of fixed assets		**88,250**	7,414
Interest received		**2,163**	8,906
Net cash used in investing activities		**(720,824)**	(96,786)
Cash flows from financing activities			
Dividends paid to Group shareholders		**(209,223)**	(207,639)
Net cash used by financing activities		**(209,223)**	(207,639)
Net (decrease)/increase in cash and cash equivalents		**(686,494)**	153,523
Cash and cash equivalents at beginning of year		**902,582**	749,059
Cash and cash equivalents at end of year		**216,088**	902,582

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	31.3.13 £	31.3.12 £
I. CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	**518,515**	398,487
Depreciation charge	**45,172**	46,962
Goodwill impairment	**39,387**	–
Acquisition cost	**–**	7,097
Profit on sale of fixed assets	**(5,184)**	(1,328)
Increase in stock	**(14,884)**	(3,775)
(Increase)/decrease in debtors	**(335,953)**	155,573
Increase/(decrease) in creditors	**187,417**	(88,986)
Decrease in financial liabilities	**(7,362)**	–
Cash generated from operations	**427,108**	514,030

ACCOUNTING POLICIES

for the year ended 31 March 2013

General information

PHSC plc is a company listed on AIM and incorporated in England and Wales 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 7. 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.

IFRS standards and interpretations issued (and EU adopted) but not yet effective

Title	**Effective date – accounting period beginning on or after**
IAS 19 Amendment – Employee benefits	01/01/2013
IFRS 7 and IAS 32 Offsetting financial assets and financial liabilities	01/01/2013
IAS 27 Separate financial statements	01/01/2013
IAS 28 Investments in associates and joint ventures	01/01/2013
IFRS 10 Consolidated financial statements	01/01/2013
IFRS 11 Joint arrangements	01/01/2013
IFRS 12 Disclosure of interests in other entities	01/01/2013
IFRS 13 Fair value measurement	01/01/2013
IFRIC 20 Stripping costs in the production phase of a surface mine	01/01/2013
IFRS 1 Amendments – Government loans	01/01/2013

IFRS Standards and Interpretations issued by IASB but not yet EU approved

Title	**Effective date – accounting period beginning on or after**
IFRS 9 Financial instruments	01/01/2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	01/01/2014
IAS 36 Amendments recoverable amount disclosures for non-financial assets	01/01/2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	01/01/2014
IAS 27 Separate financial statements	01/01/2014

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profit for the period or equity. The adoptions may affect disclosures in the Group'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 2013.

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 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.

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 building	–	2 per cent. on cost
Improvements to property	–	shorter of the lease term and 10 per cent. on cost
Fixtures and equipment	–	25 per cent. on reducing balance
Motor vehicles	–	25 per cent. 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.

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2013

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.

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 after making due allowance for obsolete and slow-moving inventory.

The value of inventory is 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.

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.

The proceeds of share issues, received net of any directly attributable transactions costs are credited to share capital at nominal value and the excess credited to the share premium account. The capital redemption reserve arose when the company repurchased some of its own shares. At that point the nominal value of those shares was transferred to the capital redemption reserve.

Employee Benefits

The Group supports various personal pension arrangements. Payments are made to individual defined contribution pension schemes. 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.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

All foreign exchange gains and losses are presented in the statement of comprehensive income within the administration expense heading.

Dividend Distribution

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2013

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 keeps open avenues for securing debt finance to ensure that funds may be called upon if and when needed for operations and payments due in respect of acquisitions. 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 £
At 31 March 2013				
Trade and other payables	1,098,678	–	–	–
HP liabilities	13,198	6,498	–	–
At 31 March 2012				
Trade and other payables	667,577	–	–	–

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 has paid additional dividends in September 2011 and 2012 to continue providing shareholder returns.

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) Deferred Consideration

Note 13 provides details of liabilities of £80,000 and £250,000 included in non-current deferred consideration as at 31 March 2013 relating to the payments due on the second anniversary of the acquisition of QCS and B to B respectively. The sale and purchase agreements provide for the figure to be adjusted, pound for pound up or down, according to performance against the target.

Although deferred consideration is 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) 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 2013 has been valued in accordance with IAS 18 "Revenue" and has been recognised in line with contract activity, reflecting the accrual to consideration as the contract activity progresses.

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 pages 7 to 9.

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.

	PHSC plc £'000	PHSCL £'000	RSA £'000	ALS £'000	Envex £'000	ISL £'000	QLM £'000	OCS £'000	B2B £'000	Total £'000
As at 31 March 2013										
Total revenue (all external)	–	765	421	2,367	–	202	607	335	1,094	5,791
Depreciation	6	11	1	16	–	–	5	1	5	45
Taxation	4	32	–	46	–	–	17	22	19	140
Deferred taxation	–	–	–	(1)	–	–	–	–	(2)	(3)
Subsidiary operating profit/(loss)	(431)	300	11	367	–	7	119	98	84	555
Consolidation adjustments:										
Goodwill impairment										(39)
Goodwill amortisation										3
Group profit from operations										519
As at 31 March 2012										
Total revenue (all external)	–	771	474	2,121	103	242	723	–	–	4,434
Depreciation	7	11	1	19	–	–	9	–	–	47
Taxation	3	32	–	43	–	–	36	–	–	114
Deferred taxation	–	–	–	(1)	–	–	(5)	–	–	(6)
Subsidiary operating profit/(loss)	(389)	313	(3)	302	(2)	13	161	–	–	395
Consolidation adjustments:										
Goodwill amortisation										3
Group profit from operations										398
Dividends receivable	587	–	–	–	–	–	–	–	–	587

3. SEGMENTAL REPORTING – continued

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

	PHSC plc £'000	PHSCL £'000	RSA £'000	ALS £'000	Envex £'000	ISL £'000	QLM £'000	OCS £'000	B2B £'000	Total £'000
Year ended 31 March 2013										
Non-current assets	5,845	359	423	225	–	1	17	4	25	6,899
Current assets	(829)	353	136	1,213	–	109	321	196	907	2,406
Total assets	5,016	712	559	1,438	–	110	338	200	932	9,305
Current liabilities	486	79	86	298	–	98	158	83	439	1,727
Non-current liabilities	330	–	–	5	–	–	2	1	6	344
Total liabilities	816	79	86	303	–	98	160	84	445	2,071
Net operating assets	4,200	633	473	1,135	–	12	178	116	487	7,234
Consolidation adjustments:										
Non-current assets i										(1,546)
Non-current liabilities ii										(61)
Net assets										5,627
Year ended 31 March 2012										
Non-current assets	4,075	368	424	233	–	1	21			5,122
Current assets	792	265	131	1,143	15	118	294			2,758
Total assets	4,867	633	555	1,376	15	119	315			7,880
Current liabilities	46	90	552	420	–	106	192			1,406
Non-current liabilities	–	–	–	6	–	–	1			7
Total liabilities	46	90	552	426	–	106	193			1,413
Net operating assets	4,821	543	3	950	15	13	122			6,467
Consolidation adjustments:										
Non-current assets i										(1,034)
Non-current liabilities ii										(63)
Net assets										5,370

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

(ii) Provision for deferred taxation under IFRS.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

4. AUDITOR REMUNERATION

	31.3.13	31.3.12
	£	£
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**3,165**	6,055
Release of accrual from previous years	**(225)**	(2,180)
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	**16,900**	12,520
Total audit	**19,840**	16,395
Tax		
Tax compliance services	**8,790**	6,100
Tax advisory services	**4,300**	6,470
Total tax	**13,090**	12,570
Total	**32,930**	28,965

5. TANGIBLE FIXED ASSETS

GROUP	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Totals £
COST					
At 1 April 2011	786,500	23,717	302,853	45,194	1,158,264
Additions	–	–	6,009	–	6,009
Disposals	–	–	(4,223)	(21,275)	(25,498)
At 31 March 2012	786,500	23,717	304,639	23,919	1,138,775
Additions	–	8,582	16,789	–	25,371
Disposals	(74,500)	–	–	(39,300)	(113,800)
Acquisition of subsidiary	–	–	6,035	40,511	46,546
At 31 March 2013	712,000	32,299	327,463	25,130	1,096,892
DEPRECIATION					
At 1 April 2011	84,482	13,073	208,211	35,879	341,645
Charge for the year	15,730	3,715	25,013	2,504	46,962
Disposals	–	–	(3,150)	(16,261)	(19,411)
At 31 March 2012	100,212	16,788	230,074	22,122	369,196
Charge for year	14,250	2,398	23,692	4,832	45,172
Disposals	(5,960)	–	–	(24,778)	(30,738)
At 31 March 2013	108,502	19,186	253,766	2,176	383,630
NET BOOK VALUE					
At 31 March 2013	603,498	13,113	73,697	22,954	713,262
At 31 March 2012	686,288	6,929	74,565	1,797	769,579
At 1 April 2011	717,748	14,971	92,503	13,926	839,148

Depreciation expenses of £45,172 (2012: £46,962) are included in administrative expenses in the statement of comprehensive income.

Motor vehicles with a net book value to £18,166 are subject to a finance lease.

Lease rentals amounting to £136,996 (2012: £133,232), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

6. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2011 & 2012	3,620,731
Additions	1,361,202
At 31 March 2013	4,981,933
AMORTISATION	
At 1 April 2011 & 2012	305,469
Impairment	39,387
At 31 March 2013	344,856
NET BOOK VALUE	
At 31 March 2013	4,637,077
At 31 March 2012	3,315,262
At 1 April 2011	3,315,262

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:

	31.3.13 £	31.3.12 £
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	**1,234,127**	1,234,127
Inspection Services (UK) Limited	**205,207**	244,594
Quality Leisure Management Limited	**582,844**	582,844
QCS International Limited	**417,638**	–
B to B Links Limited	**943,564**	–
	4,586,462	3,264,647
At Company level	**50,615**	50,615
Total goodwill for Group	**4,637,077**	3,315,262

When considering impairment, the directors have taken the cash flow forecasts prepared for the year ended 31 March 2014 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.

6. INTANGIBLE FIXED ASSETS – continued

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 based upon a multiple of EBITDA of 8.4, and;
- have been discounted using the Group's weighted average cost of capital (WACC) which has been calculated to be 8.34 per cent.

The annual impairment review identified that the goodwill arising on the acquisition of Inspection Services (UK) Limited needed to be impaired. An impairment charge of £39,387 was made to the value of goodwill in the financial statements.

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	2,520,454	65,100	43
RSA Environmental Health Limited	432,694	66,600	19
Adamson's Laboratory Services Limited	1,116,070	135,100	21
Inspection Services (UK) Limited	–	27,470	9
Quality Leisure Management Limited	329,813	63,800	17
QCS International Limited	525,134	45,200	23
B to B Links Limited	2,071,939	103,600	31

7. TRADE AND OTHER RECEIVABLES

	31.3.13 £	31.3.12 £
Trade receivables	**1,754,263**	1,029,304
Less provision for impairment of trade receivables	**(9,641)**	(9,128)
Trade receivables – net	**1,744,622**	1,020,176
Other debtors, prepayments and accrued income	**293,102**	205,625
Total	**2,037,724**	1,225,801

7. TRADE AND OTHER RECEIVABLES – continued

The following entities within the Group received revenues from transactions with a single external customer which amounted to 10 per cent. or more of their turnover for the year ended 31 March 2013.

Entity	Percentage of turnover derived from a single customer
Adamson's Laboratory Services Limited	13%
B to B Links Limited	35%
B to B Links Limited	21%
B to B Links Limited	14%
Inspection Services (UK) Limited	13%
Personnel Health & Safety Consultants Limited	16%
QCS International Limited	11%
Quality Leisure Management Limited	10%

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

At 31 March 2013, there were £9,641 impaired trade receivables (2012: £9,128).

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

	31.3.13 £	31.3.12 £
Up to 3 months	**422,784**	223,229
3 – 6 months	**132,620**	78,527
Over 6 months	**67,096**	23,789
	622,500	325,545

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:

	31.3.13 £	31.3.12 £
At 1 April	**9,128**	2,375
Provision for receivables impairment	**4,217**	20,446
Receivables written off during the year as uncollectible	**(3,704)**	(13,693)
At 31 March	**9,641**	9,128

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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

8. INVENTORIES

	31.3.13 £	31.3.12 £
Stocks	**152,871**	6,425

A total of £nil inventory was written down in the current year (2012: £nil). The value of inventory consumed and recognised as an expense was £956,104 (2012: £2,250).

9. CASH AND CASH EQUIVALENTS

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

	31.3.13 £	31.3.12 £
Cash at bank and in hand	**216,088**	902,582

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc (see note 12).

10. CALLED UP SHARE CAPITAL

	Number of shares	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 2011 and 2012	10,381,973	1,038,196	1,497,409	2,535,605
Shares issued	224,375	22,438	70,300	92,738
Less: stamp duty on share issue	–	–	(12,180)	(12,180)
At 31 March 2013	10,606,348	1,060,634	1,555,529	2,616,163

11. TRADE AND OTHER PAYABLES

	31.3.13 £	31.3.12 £
Trade payables	**364,187**	43,537
Social security and other taxes	**372,343**	268,052
Accrued expenses	**362,148**	354,988
Total	**1,098,678**	666,577

12. FINANCIAL LIABILITIES

	31.3.13 £	31.3.12 £
Current		
Hire purchase agreements	**13,198**	–
Non-Current		
Hire purchase agreements	**6,498**	–

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. During the year HSBC plc granted the Group an extended overdraft facility which was 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.

On 31 March 2013, PHSC plc's company balance was £844,484 overdrawn (2012: £168,072) within the Group's cash at bank and in hand figure of £216,088 (2012: £902,582). The overdraft facility is reviewed subject to requirement.

13. DEFERRED CONSIDERATION

	Current £	Non-current £	Total £
At 1 April 2011	100,000	–	100,000
Increase in consideration	7,097	–	7,097
Paid in year	(107,097)	–	(107,097)
At 31 March 2012	–	–	–
New deferred consideration	441,148	330,000	771,148
Paid in year	–	–	–
At 31 March 2013	441,148	330,000	771,148

On the first anniversary of the purchase of QCS, £160,000 becomes due under the sale and purchase agreement. The actual payment will reduce to £121,148 due to an adjustment, agreed with the vendor, to the net assets on completion. This is the amount that has been provided for above in the deferred consideration. A final payment of £80,000 is due two years after completion, subject to adjustment up or down according to performance against targets.

A payment of £320,000 falls due on the first anniversary of the purchase of B to B. A final cash payment of between £120,000 and £800,000 falls due on the second anniversary, subject to performance over the two years post completion. A provision of £250,000 has been made in the accounts based on performance to date.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

14. DEFERRED TAX

Deferred tax asset	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2011	–	1,239	–	1,239
(Credited)/debited to income statement	–	(1,239)	2,600	1,361
At 31 March 2012	–	–	2,600	2,600
Debited/(credited) to income statement	–	1,161	(1,019)	142
At 31 March 2013	–	1,161	1,581	2,742

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 2011	63,613	13,666	3,990	81,269
(Credited)/debited to income statement	(5,588)	(3,225)	543	(8,270)
At 31 March 2012	58,025	10,441	4,533	72,999
(Credited)/debited to income statement	(3,083)	(1,912)	624	(4,371)
At 31 March 2013	54,942	8,529	5,157	68,628

Deferred tax has been provided on the revalued fixed assets at 23 per cent. (2012: 26 per cent.). At present it is not envisaged that any tax will become payable in the foreseeable future.

15. OTHER INCOME

	31.3.13 £	31.3.12 £
Rent received	**5,550**	5,425
Miscellaneous income	**132**	1,312
	5,682	6,737

16. EXPENSES BY NATURE

	31.3.13 £	31.3.12 £
Cost of sales	**1,359,189**	689,766
Staff related costs	**2,736,440**	2,419,708
Premises costs	**86,655**	85,118
Professional fees	**189,800**	103,150
Other expenses	**906,442**	744,815
Total cost of sales and administrative expenses	**5,278,526**	4,042,557

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.13	31.3.12
	£	£
Wages and salaries	**2,418,753**	2,128,710
Social security costs	**241,976**	217,042
Other pension costs	**34,717**	40,326
	2,695,446	2,386,078

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

	31.3.13	31.3.12
Directors	**10**	8
Consultants	**46**	42
Administrative	**29**	20
Total	**85**	70

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.13	31.3.12
	£	£
Emoluments	**162,959**	152,760
Pension contributions to money purchase schemes	**6,477**	5,883
	169,436	158,643

The remuneration of the executive directors from all group companies was as follows:

	Year ended 31.3.13					
	Short term employee benefits			**Post employment benefits**		Year ended 31.3.12
	Salary	**Bonus**	**Benefits**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	£
S A King	62,892	4,609	1,507	3,375	**72,383**	59,992
N C Coote	62,050	4,609	5,292	3,102	**75,053**	76,651

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 31.3.13	Year ended 31.3.12
	£	£
M J L Miller	**10,000**	10,000
G N Webb	**12,000**	12,000

The executive directors are the key management personnel.

During the year retirement benefits were accruing to 2 directors (2012: 2) in respect of defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

19. FINANCE INCOME AND COSTS

	31.3.13 £	31.3.12 £
Finance income		
Interest received	**2,163**	8,906
Interest expense		
Other interest	**–**	242
Bank interest	**87**	–
HP interest	**763**	–
	850	242
Net finance income	**1,313**	8,664

20. TAXATION

Analysis of tax charge in year

	31.3.13 £	31.3.12 £
Current tax:		
UK corporation tax on profits in the year	**139,666**	112,292
Adjustments in respect of previous year	**466**	(177)
Total current tax	**140,132**	112,115
Deferred tax on origination and reversal of timing differences (provided at 23 per cent.)	**(2,655)**	(4,043)
Taxation	**137,477**	108,072

Factors affecting tax charge for year

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK of 20 per cent. (2012: 20 per cent.).

The differences are explained below:

	31.3.13 £	31.3.12 £
Profit on ordinary activities before tax	**519,828**	407,151
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 per cent. (2012: 26 per cent.)	**124,759**	105,859
Effects of:		
Depreciation on non-qualifying assets	**–**	4,474
Expenses not deductible for tax purposes	**14,888**	12,191
Marginal relief	**(2,107)**	(3,924)
Adjustments in respect of prior periods	**466**	(177)
Income not taxable	**–**	(10,682)
Deferred tax movement re tangible assets not recognised	**258**	2,217
Effect of change in deferred tax rate	**(787)**	(1,886)
Current tax charge	**137,477**	108,072

21. EARNINGS PER SHARE

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.

	31.3.13	31.3.12
Profit attributable to equity holders of the Group (£)	**382,351**	299,079
Weighted average number of ordinary shares in issue	**10,508,681**	10,276,019
Basic earnings per share (pence per share)	**3.64p**	2.91p

There are no dilutive shares, options or warrants in issue.

22. DIVIDENDS

The dividends paid in respect of the years ended 31 March 2012 and 2011 were £209,223 and £207,639 respectively, both 1.0p per ordinary share and an additional dividend of 1.0p per share. A dividend in respect of the year ended 31 March 2013 of 1.5p per ordinary share amounting to a total dividend of £159,095 is to be proposed at the annual general meeting on 9 September 2013. These financial statements do not reflect this dividend payable.

23. 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:

	31.3.13		31.3.12	
	Land and buildings £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	**1,500**	**8,880**	–	18,440
Between two and five years	**23,992**	**61,358**	16,000	55,140
Total	**25,492**	**70,238**	16,000	73,580

The Group had no capital commitments at the year end.

24. 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:

	31.3.13 £	31.3.12 £
Adamson's Laboratory Services Limited	**186,000**	148,627
B to B Links Limited	**6,000**	–
Envex Company Limited	**–**	12,000
Inspection Services (UK) Limited	**6,000**	12,000
Personnel Health and Safety Consultants Limited	**174,000**	162,000
QCS International Limited	**7,200**	–
Quality Leisure Management Limited	**48,000**	36,000
RSA Environmental Health Limited	**12,000**	12,000
Total	**439,200**	382,627

24. RELATED PARTY DISCLOSURES – continued

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

	31.3.13 £	31.3.12 £
Trade receivables:		
Adamson's Laboratory Services Limited	**33,500**	64,475
B to B Links Limited	**3,600**	–
Loans to related parties:		
Adamson's Laboratory Services Limited	**–**	72,745
In House The Hygiene Management Company Limited	**469,304**	469,304
Quality Leisure Management Limited	**–**	290
Deferred income:		
Inspection Services (UK) Limited	**(6,000)**	–
Amounts due to related parties:		
Personnel Health and Safety Consultants Limited	**(544)**	(447)
QCS International Limited	**(1,025)**	–
RSA Environmental Health Limited	**–**	(162)
Net amount receivable	**498,835**	606,205

PHSC plc dividends were paid to directors as follows:

	31.3.13 £	31.3.12 £
S A King	**57,932**	60,331
N C Coote	**57,759**	60,178
G N Webb MBE	**374**	390
Total	**116,065**	120,899

25. BUSINESS COMBINATIONS

PHSC plc acquired two trading companies during the year ended 31 March 2013. On 31 July 2012, 100 per cent. of the share capital of QCS International Limited was acquired. This business contributed revenues of £334,670 and profit before taxation of £98,079 to the Group for the eight month period from 1 August 2012 to 31 March 2013. For the year ended 30 April 2012 turnover and profit before taxation were £498,483 and £87,597 respectively. The dormant holding company QCS Holdings Limited was also acquired, but it is intended to dissolve this company.

On 28 September 2012, 100 per cent. of the share capital of B to B Links Limited was acquired. This business contributed revenues of £1,093,778 and profit before taxation of £82,780 to the Group for the six month period from 1 October 2012 to 31 March 2013. For the year ended 31 March 2012 turnover and profit before taxation were £1,601,027 and £266,361 respectively.

25. BUSINESS COMBINATIONS – continued

Details of net assets acquired and goodwill are:

	QCS £	B to B £
Purchase consideration		
– cash paid in respect of goodwill	160,000	303,444
– deferred consideration	201,148	570,000
– cash paid in respect of net assets	84,815	422,180
– consideration in shares in PHSC plc	17,738	75,000
Total purchase consideration	463,701	1,370,624
Fair value of net assets acquired	(46,063)	(427,060)
Goodwill	417,638	943,564

The assets and liabilities arising from the acquisitions were:

	QCS		B to B	
	Fair value £	*Acquiree's carrying amount £*	Fair value £	*Acquiree's carrying amount £*
Cash and cash equivalents	85,505	*85,505*	99,068	*99,068*
Plant and equipment	2,153	*4,306*	42,240	*42,240*
Inventories	–	–	131,562	*131,562*
Trade and other receivables	62,924	*62,924*	413,188	*413,188*
Trade and other payables	(82,113)	*(82,213)*	(175,046)	*(179,926)*
Current corporation tax payable	(21,868)	*(21,868)*	(82,740)	*(82,740)*
Deferred tax liabilities	(538)	*(538)*	(1,212)	*(1,212)*
Net assets acquired	46,063	*48,116*	427,060	*422,180*
Purchase consideration settled in cash	244,815	*244,815*	725,624	*725,624*
Cash and cash equivalents in subsidiary acquired	(85,505)	*(85,505)*	(99,068)	*(99,068)*
Cash outflow on acquisition	159,310	*159,310*	626,556	*626,556*

26. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in England and Wales, is the ultimate parent company of the Group. There is no ultimate controlling party, but Mr S A King, Group Chief Executive, holds 29.26 per cent. (2012: 29.9 per cent.) of the issued share capital of PHSC plc.

Registered number: 4121793

PHSC plc

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2013

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 financial statements in accordance with UK GAAP (UK accounting standards and applicable law). 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 of the profit or loss of the company 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 UK 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's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PHSC plc

Registered number: 4121793

COMPANY BALANCE SHEET

as at 31 March 2013

	Note	31.3.13 £	31.3.12 £
Fixed assets			
Intangible assets	4	**26,943**	29,230
Tangible assets	5	**121,868**	184,047
Investments	6	**5,593,394**	3,861,500
		5,742,205	4,074,777
Current assets			
Debtors	7	**521,294**	624,436
Cash at bank		**–**	168,072
		521,294	792,508
Creditors			
Amounts falling due within one year	8	**1,338,047**	46,251
Net current (liabilities)/assets		**(816,753)**	746,257
Total assets less current liabilities		**4,925,452**	4,821,034
Creditors			
Amounts falling due in more than one year	9	**(330,000)**	–
		4,595,452	4,821,034
Capital and Reserves			
Called up share capital	10	**1,060,634**	1,038,196
Share premium account	10	**1,555,529**	1,497,409
Capital redemption reserve	11	**143,628**	143,628
Profit and loss account	11	**1,835,661**	2,141,801
Shareholders Funds	12	**4,595,452**	4,821,034

The financial statements were approved and authorised for issue by the board of directors on 31 July 2013, and were signed on its behalf by:

S A King *Director*

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	Note	31.3.13 £	31.3.12 £
Reconciliation of operating profit to net cash outflow from operating activities			
Operating (loss)/profit		**(94,448)**	(6,895)
Depreciation and amortisation		**8,011**	9,662
Impairment of investment		**102,431**	–
Acquisition cost		**–**	7,097
Profit on sale of fixed asset		**(5,460)**	(2,399)
Decrease/(increase) in debtors		**103,143**	(15,651)
Increase/(decrease) in creditors		**4,009**	482
Net cash outflow from operating activities		**117,686**	(7,704)
Cash flows statement			
Net cash outflow from operating activities		**117,686**	(7,704)
Returns on investment and servicing of finance	I	**(980,698)**	(98,192)
Taxation		**(2,235)**	(169)
Capital expenditure	I	**61,914**	7,414
		(803,333)	(98,651)
Equity dividends paid		**(209,223)**	(207,639)
Equity dividends received		**–**	586,555
(Decrease)/increase in cash in the period		**(1,012,556)**	280,265
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		**(1,012,556)**	280,265
Cash at bank at 1 April		**168,072**	(112,193)
Cash at bank at 31 March		**(844,484)**	168,072

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2013

	31.3.13 £	31.3.12 £
I. GROSS CASH FLOWS		
Returns on investments and servicing of finance		
Interest received	**2,009**	8,905
Interest paid	**(87)**	–
Purchase of subsidiary companies (net of cash acquired)	**(982,620)**	–
Deferred consideration on purchase of subsidiary	**–**	(107,097)
Cash generated from operations	**(980,698)**	(98,192)
Capital expenditure		
Purchase of property, plant and equipment	**(12,086)**	–
Receipts from sale of tangible fixed assets	**74,000**	7,414
	61,914	7,414

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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 loss for the year ended 31 March 2013 was £96,917 (2012: profit £544,462). Included in the profit/loss for the year are dividends totalling £nil (2012: £586,555). There were no recognised gains and losses for 2013 or 2012 other than those included in the company profit and loss account.

The financial statements have been prepared on a going concern basis. The Company made a loss of £96,917 (2012: loss £42,093) for the year ended 31 March 2013 and had net current assets of £4,595,452 at the balance sheet date (2012: £4,821,034).

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.

Intangible Assets

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.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and impairment provisions.

Depreciation is provided to write off the cost, less the estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	–	2 per cent. on cost
Improvements to property	–	shorter of the lease term and 10 per cent. on cost
Fixtures and equipment	–	25 per cent. on reducing balance
Motor vehicles	–	25 per cent. on reducing balance

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

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.

Impairment of Tangible and Intangible Assets

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.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

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. The proceeds of share issues, received net of any directly attributable transactions costs are credited to share capital at nominal value and the excess credited to the share premium account. The capital redemption reserve arose when the company repurchased some of its own shares. At that point the nominal value of those shares was transferred to the capital redemption reserve.

Dividends

Dividends received from subsidiary companies are recognised at the point that the right to receive the dividend has been established.

Income

Management charge income is recognised when the service the company has provided is fulfilled.

2. CRITICAL ESTIMATIONS

(a) Deferred Consideration

Note 9 provides details of liabilities of £80,000 and £250,000 included in other creditors as at 31 March 2013 relating to the payments due on the second anniversary of the acquisition of QCS and B to B respectively.The sale and purchase agreements provide for the figure to be adjusted, pound for pound up or down, according to performance against the target.

Although deferred consideration is 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) Impairment of Investments

An impairment of investments has the potential to significantly impact upon the company's profit for the year. In order to determine whether impairments are required the directors estimate the recoverable amount of the investment if there are indications of a potential impairment.This calculation is based on cash flow forecasts for the following financial year extrapolated over a six year period assuming a zero growth rate. In accordance with the provisions of FRS 11 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.

When considering impairment, the directors have taken the cash flow forecasts prepared for the year ended 31 March 2014 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 FRS 11 based upon a multiple of EBITDA of 8.4; and
- have been discounted using the Group's weighted average cost of capital (WACC) which has been calculated to be 8.34 per cent.

3. STAFF NUMBERS AND COSTS

Staff costs (including executive directors)

	31.3.13 £	31.3.12 £
Wages and salaries	**232,748**	215,113
Social security costs	**23,853**	21,892
Other pension costs	**8,046**	6,654
	264,647	243,659

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

	31.3.13	31.3.12
Directors	**4**	4
Administrative	**3**	3
Total	**7**	7

Details of directors remuneration can be found on page 39.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

4. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 12 & 31 March 2013	45,739
AMORTISATION	
At 1 April 2012	16,509
Charge for year	2,287
At 31 March 2013	18,796
NET BOOK VALUE	
At 31 March 2013	26,943
At 31 March 2012	29,230

5. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Fixtures and equipment £	Total £
COST				
At 1 April 2012	196,500	15,396	–	211,896
Additions	–	8,582	3,503	12,085
Disposals	(74,500)	–	–	(74,500)
At 31 March 2013	122,000	23,978	3,503	149,481
DEPRECIATION				
At 1 April 2012	19,380	8,469	–	27,849
Charge for the year	2,450	2,398	876	5,724
Disposals	(5,960)	–	–	(5,960)
At 31 March 2013	15,870	10,867	876	27,613
NET BOOK VALUE				
At 31 March 2013	106,130	13,111	2,627	121,868
At 31 March 2012	177,120	6,927	–	184,047

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.13 £	31.3.12 £
At 1 April	**3,861,500**	3,902,580
Additions	**1,834,325**	–
Write down of investment	**(102,431)**	(41,080)
At 31 March	**5,593,394**	3,861,500

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

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
Safetymark Certification Services 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%	Dormant
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
QCS International Limited (*)	Scotland	100%	Health and safety
QCS Holdings Limited	England	100%	Dormant
B to B Links Limited	England	100%	Retail security

(*) Held indirectly

7. DEBTORS

	31.3.13 £	31.3.12 £
Amounts owed by subsidiary undertakings	**506,404**	606,812
Prepayments	**14,890**	15,376
Other debtors	**–**	2,248
	521,294	624,436

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.13 £	31.3.12 £
Bank overdraft	**844,484**	–
Trade creditors	**84**	432
Social security and other taxes	**27,844**	29,525
Accruals and deferred income	**16,918**	13,357
Amounts owed to subsidiary undertakings	**7,569**	609
Other creditors	**441,148**	2,328
	1,338,047	46,251

Other creditors contain two liabilities relating to the subsidiaries acquired during the year. On the first anniversary of the purchase of QCS, £160,000 becomes due under the sale and purchase agreement. The actual payment will reduce to £121,148 due to an adjustment, agreed with the vendor, to the net assets on completion. A payment of £320,000 falls due on the first anniversary of the purchase of B to B.

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. During the year HSBC plc granted the Group an extended overdraft facility which was 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. On 31 March 2013, PHSC plc's company balance was £844,484 overdrawn (2012: £168,072) within the Group's cash at bank and in hand figure of £216,088 (2012: £902,582). The overdraft facility is reviewed subject to requirement.

9. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	31.3.13 £	31.3.12 £
Other creditors	**330,000**	–

Provision has been made for final payments of £80,000 and £250,000 due on the second anniversaries of the acquisition of QCS and B to B respectively. Both are subject to adjustment up or down according to performance against targets and so the provisions are based on known performance to date and forecast future results.

10. SHARE CAPITAL

	Number of shares	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 2012	10,381,973	1,038,196	1,497,409	2,535,605
Shares issued	224,375	22,438	70,300	92,738
Less: stamp duty on share issue	–	–	(12,180)	(12,180)
At 31 March 2013	10,606,348	1,060,634	1,555,529	2,616,163

During the year 224,375 shares with a nominal value of 10p per share were issued for an average consideration of 41.3p per share.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2013

11. SHARE PREMIUM AND RESERVES

Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares which arose following a share reorganisation.
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

	Share capital £	**Share premium £**	**Capital redemption reserve £**	**Retained earnings £**	**Total £**
Balance at 1 April 2012	1,038,196	1, 497,409	143,628	2,141,801	4,821,034
Loss for year attributable to equity holders	–	–	–	(96,917)	(96,917)
Issue of shares	22,438	70,300	–	–	92,738
Stamp duty on issue of shares	–	(12,180)	–	–	(12,180)
Dividends	–	–	–	(209,223)	(209,223)
Balance at 31 March 2013	1,060,634	1,555,529	143,628	1,835,661	4,595,452

12. SHAREHOLDERS' FUNDS

	31.3.13 £	31.3.12 £
Loss for the financial year	**(96,917)**	(42,094)
Dividends paid	**(209,223)**	(207,639)
Dividends received from subsidiary companies	**–**	586,555
Issue of shares	**80,558**	-
Net (reduction)/addition to shareholders' funds	**(225,582)**	336,822
Opening shareholders' funds	**4,821,034**	4,484,212
Closing shareholders' funds	**4,595,452**	4,821,034

13. RELATED PARTY TRANSACTIONS

PHSC plc dividends were paid to directors as follows:

	31.3.13 £	31.3.12 £
S A King	57,932	60,331
N C Coote	57,759	60,178
G N Webb MBE	374	390
Total	116,065	120,899

14. BUSINESS COMBINATIONS

PHSC plc acquired two trading companies during the year ended 31 March 2013. On 31 July 2012, 100 per cent. of the share capital of QCS International Limited was acquired. This business contributed revenues of £334,670 and profit before taxation of £98,079 to the Group for the eight month period from 1 August 2012 to 31 March 2013. For the year ended 30 April 2012 turnover and profit before taxation were £498,483 and £87,597 respectively. The dormant holding company QCS Holdings Limited was also acquired, but it is intended to dissolve this company.

On 28 September 2012, 100 per cent. of the share capital of B to B Links Limited was acquired. This business contributed revenues of £1,093,778 and profit before taxation of £82,780 to the Group for the six month period from 1 October 2012 to 31 March 2013. For the year ended 31 March 2012 turnover and profit before taxation were £1,601,027 and £266,361 respectively.

Details of net assets acquired and goodwill are:

	QCS £	B to B £
Purchase consideration		
– cash paid in respect of goodwill	160,000	303,444
– deferred consideration	201,148	570,000
– cash paid in respect of net assets	84,815	422,180
– consideration in shares in PHSC plc	17,738	75,000
Total purchase consideration	463,701	1,370,624
Fair value of net assets acquired	(46,063)	(427,060)
Goodwill	417,638	943,564

The assets and liabilities arising from the acquisitions were:

	QCS		B to B	
	Fair value £	*Acquiree's carrying amount* £	Fair value £	*Acquiree's carrying amount* £
Cash and cash equivalents	85,505	*85,505*	99,068	*99,068*
Plant and equipment	2,153	*4,306*	42,240	*42,240*
Inventories	–	–	131,562	*131,562*
Trade and other receivables	62,924	*62,924*	413,188	*413,188*
Trade and other payables	(82,113)	*(82,213)*	(175,046)	*(179,926)*
Current corporation tax payable	(21,868)	*(21,868)*	(82,740)	*(82,740)*
Deferred tax liabilities	(538)	*(538)*	(1,212)	*(1,212)*
Net assets acquired	46,063	*48,116*	427,060	*422,180*
Purchase consideration settled in cash	244,815	*244,815*	725,624	*725,624*
Cash and cash equivalents in subsidiary acquired	(85,505)	*(85,505)*	(99,068)	*(99,068)*
Cash outflow on acquisition	159,310	*159,310*	626,556	*626,556*

15. SUBSEQUENT EVENTS

There have been no events subsequent to 31 March 2013 that would materially impact on the financial statements.

16. COMMITMENTS

The company had no operating lease commitments as at 31 March 2013.

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 Monday 9 September 2013 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions.

1. To receive the annual report and audited accounts for the year ended 31 March 2013.

2. To declare a final dividend of 1.5p per ordinary share.

3. To re-elect Ms Nicola Coote as a director.

4. 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.

5. 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 £350,000 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting in 2014 or on 30 September 2014, whichever is earlier, 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.

6. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 5 set out in the notice of this meeting the directors be empowered under section 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 £212,126.

   such power to expire at the conclusion of the annual general meeting of the company in 2014 or, if earlier, on 30 September 2014, 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.

7. 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 1,590,952;

   (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 per cent. 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 2014 or, if earlier, at the close of business on 30 September 2014, 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

2 August 2013

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

Notes

1. Right to attend, speak and vote

If you want to attend, speak and vote at the AGM you must be on the Company's register of members at 6.00pm on 5 September 2013. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

2. Appointment of proxies

If you are a member of the Company you may appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the meeting. You may only appoint a proxy using the procedures set out in these notes and in the notes on the proxy form, which you should have received with this notice of meeting.

A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes on the form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

You may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares which you hold. If you wish to appoint more than one proxy you may photocopy the proxy form or alternatively you may contact the Company Secretary.

3. Appointment of proxy using hard copy proxy form

The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not indicate on the proxy form how your proxy should vote, they will vote or abstain from voting at their discretion. They will also vote (or abstain from voting) as they think fit in relation to any other matter which is put before the meeting.

To appoint a proxy using the proxy form, the form must be completed and signed and received by the Company Secretary at The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR no later than 48 hours before the meeting (excluding non-working days). Any proxy forms (including any amended proxy appointments) received after the deadline will be disregarded.

The completed form may be returned by any of the following methods:

- Sending or delivering it to The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR
- Sending it by fax to 01732 353056
- Scanning it and sending it by email to proxies@lorraineyoung.co.uk

If the shareholder is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

4. Appointment of proxy by joint members

In the case of joint holders, where more than one joint holder purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

5. Changing your instructions

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The amended instructions must be received by the registrars by the same cut-off time noted above. Where you have appointed a proxy using a hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company Secretary on 01732 366561. If you submit more than one valid proxy form, the one received last before the latest time for the receipt of proxies will take precedence.

6. Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company, The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. Alternatively you may send the notice by fax to 01732 353056. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, your revocation notice must be received by the Company no later than 48 hours before the meeting. If your revocation is received after the deadline, your proxy appointment will remain valid. However, the appointment of a proxy does not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

7. Communications with the Company

Except as provided above, members who have general queries about the meeting should telephone the Company Secretary on 01732 366561 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

8. Issued shares and total voting rights

As at 5.00pm on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised 10,606,348 ordinary shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 10,606,348.

PHSC plc

Proxy form for use by holders of ordinary shares in PHSC plc
at the Annual General Meeting (AGM)
to be held on Monday 9 September 2013

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

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

I/We .... (FULL NAME IN BLOCK CAPITALS)

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

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

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

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD	AT DISCRETION
1. To receive the report and accounts	☐	☐	☐	☐
2. To declare a final dividend	☐	☐	☐	☐
3. To re-elect N C Coote as a director	☐	☐	☐	☐
4. To reappoint the auditors and authorise the directors to set their fees	☐	☐	☐	☐
5. To authorise the directors to allot shares	☐	☐	☐	☐
6. To disapply pre-emption rights	☐	☐	☐	☐
7. To authorise share buy backs	☐	☐	☐	☐

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

Notes

1. If you wish to appoint as a proxy someone other than the Chairman of the meeting, please delete the words "The Chairman of the meeting" and insert the name of the other person (who need not be a member of the Company). All alterations made to the proxy form must be initialled by the signatory.

2. The completion and return of the proxy form will not prevent you from attending the AGM and voting in person should you subsequently decide to do so.

3. If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only some votes for and some against insert the relevant number of shares in the appropriate box. In the absence of instructions your proxy may vote or abstain from voting as they think fit on the specified resolutions, and, unless instructed otherwise, may also vote or abstain from voting as they think fit on any other business (including on a resolution to amend a resolution, to propose a new resolution or to adjourn the meeting) which may properly come before the meeting.

4. The "Vote Withheld" option is provided so that you can instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" or "against" a resolution. The "At Discretion" option is provided so that you can give discretion to your proxy to vote or abstain from voting on a particular resolution as they think fit.

5. The proxy form must be signed by the shareholder or their attorney. Where the shareholder is a corporation the signature must be under seal or that of a duly authorised representative. In the case of joint holders, any one may sign the form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names appear in the register of members for the joint shareholding.

6. To be valid, this proxy form and any power of attorney or other authority under which it is signed or a certified copy of such authority, must be deposited with the Company Secretary, The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR, no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment.