Annual Report

For the year ended 31 March 2014

Adamson's Laboratory Services

B to B Links

Envex

In House The Hygiene Management Company

Inspection Services (U.K.)

Personnel Health & Safety Consultants

QCS

QLM Quality Leisure Management

RSA Environmental Health

PHSC plc

PHSC plc

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for the year ended 31 March 2014

COMPANY INFORMATION

for the year ended 31 March 2014

DIRECTORS:	S A King N C Coote G N Webb MBE M J L Miller
SECRETARY:	L E Young
REGISTERED OFFICE & BUSINESS ADDRESS:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
AUDITOR:	Crowe Clark Whitehill LLP Chartered Accountants & Registered Auditor 10 Palace Avenue Maidstone Kent ME15 6NF
SOLICITORS:	Gullands 16 Mill Street Maidstone Kent ME15 6XT
REGISTRARS:	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
NOMINATED ADVISORS AND BROKERS:	Northland Capital Partners Limited 131 Finsbury Pavement London EC2A 1NT

PHSC plc

STRATEGIC REPORT

for the year ended 31 March 2014

HIGHLIGHTS

- EBITDA improved by 22% at £0.735m, up from £0.603m
- Group revenues increased by 31% to £7.594m compared with £5.791m
- Cash reserves rise to £0.712m
- Group net assets of £6.4m
- Basic earnings per share up 16% to 4.24p from 3.64p
- Proposed final dividend held at 1.5p per share

KEY DEVELOPMENTS AND OUTLOOK

PHSC plc, through its trading subsidiaries is a leading provider of health, safety, hygiene and environmental consultancy services and security solutions to the public and private sectors. The majority of the Group's revenue continues to arise from the core health and safety businesses, with the major income streams being derived from activities such as asbestos management, health care training, public transport safety consultancy, and supporting the education sector. The Group also serves the leisure industry and carries out statutory examination of plant and machinery via insurance brokers or directly for clients. However, the growth areas are in those markets served by PHSC plc's most recent acquisitions, QCS International Limited (QCS) and B to B Links Limited (B to B) which made a full-year contribution for the first time in the year ended 31 March 2014. The decision to diversify has enabled the Group to branch out from its core business of health and safety adding quality management systems consultancy and training, and innovative retail security solutions including tagging, labelling and CCTV to the activities of the Group.

The legacy businesses generated £4.567m of sales compared with £4.362m in the previous year. Despite the £0.2m increase in sales, profitability declined by a little over £0.1m. This is an indication of ever-reducing margins in a sector that has become very competitive and where the number of providers has risen faster than the requirement for services. Costs tend to increase year-to-year but price sensitivity means that it is progressively more difficult to win new work at previous margins.

The Group continues to benefit from a diverse number of clients, including several that have a fairly robust safety culture and who seek continuous improvement. However, a lighter regulatory approach has led to some employers opting to spend less on compliance services, and reduces the incentive to invest in services such as non-mandatory training and other areas of discretionary spend.

Net asset value

As at 31 March 2014, the company had net assets of £6.440 million. There were 12,686,353 ordinary shares in issue at that date which equates to a net asset value per share of 50.8p. At today's price of 32p per share, the ordinary shares of the company are currently trading at a discount of 37% to the net asset value. A proportion of the company's assets consists of goodwill associated with the various acquisitions it has made. Each year the level of goodwill relating to subsidiaries is reviewed to make sure that their values on the balance sheet can still be justified. This year it was felt necessary to write down the carrying value of RSA Environmental Health Limited by £26,648. When acquired in 2004 this subsidiary derived the majority of its revenue and profit from work that had been outsourced by Local Authorities but this income stream has progressively reduced as public sector budgets have been pared back. The board remains comfortable with all other valuations.

Share placing

On 27 September 2013 the company announced that it had raised £520,000 before expenses through a placing of 2,080,000 new ordinary shares of 10p each. Those shares were priced at 25p each, and the placing was primarily taken up by institutional investors with some director participation. The new shares represent approximately 16% of the enlarged issued share capital. The fundraising was to provide additional working capital.

Acquisition payments

During the year a total of £441,148 was paid in respect of the acquisition of QCS and B2B acquired in July and October 2012 respectively. In July 2013, a sum of £160,000 fell due in respect of QCS and after a revision to the value of assets on the date of acquisition, a payment of £121,148 was made. The agreement provides for a final payment of £80,000, subject to adjustment up or down according to QCS's performance against targets, for the two-year period to the end of July 2014. Payment falls due once management accounts are prepared and agreed with the seller, and this is expected to be no later than 1 August 2014.

£320,000 was paid in respect of the acquisition of B2B on 30 September 2013 and a final payment of between £120,000 and £800,000 is provided for in the purchase agreement. This is subject to B to B's performance over the two-year period since the business was acquired. With an anniversary date of 30 September, it is expected that agreement on the earn-out payment will be reached towards the end of October 2014 after management accounts have been prepared.

Outlook

We are confident that revenues from our retained clients will continue in a similar vein to previous years, and that this can be supplemented by income from the newer subsidiaries. We will seek to win business both in the areas in which we have traditionally operated and those new areas open to us through the diversification strategy that we have successfully adopted. The Group is not considering any further acquisitions in 2014/15. Having grown the Group to one that has £7.59m revenues compared with £4.45m two years ago, it is considered necessary to continue with a period of consolidation and integration with no material changes to overall performance anticipated. With the last of the acquisition payments due to be made by the end of 2014, there is scope to begin to accumulate a more comfortable level of cash reserves.

PERFORMANCE

The board looks at the following key performance indicators.

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. Consolidated Group sales for the period rose to £7,594,300 from £5,791,400. The increase is primarily due to a full year's contribution from the newest subsidiaries QCS and B to B.

Earnings before interest, taxation, depreciation and amortisation (EBITDA)

The Group generated a 22% increase to EBITDA. The figure of £732,500 EBITDA compares with £603,100 generated in the previous year.

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. Based on a payroll head count the number of people employed fell from 90 at the start of the year to 89 as at 31 March 2014, with 13 joiners and 14 leavers across the Group. A number of employees requested a reduction in their working hours for personal reasons.

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.

A review of the activities of each trading subsidiary is provided below. The profit figures stated are before tax and management charges.

Adamson's Laboratory Services Limited (ALS)

- 2014: sales of £2,660,300 yielding a profit of £312,300.
- 2013: sales of £2,366,900 yielding a profit of £366,700.

ALS's turnover increased by 12% with the integration of Envex into ALS continuing to work well. The turnover for the health and safety department increased by 20% with its work including occupational hygiene and legionella consultancy. Asbestos awareness training remains popular with clients and the British Occupational Hygiene Society proficiency modules have shown a high success rate.

The main activity of asbestos surveying and consultancy has stayed busy though the focus appears to be changing to one of complete project management. ALS secured a term contract with University College London which involves the provision of a full-time appointed person based on site and the provision of all asbestos consultancy services. ALS also has two full-time members of staff based at The University of Cambridge, fulfilling the asbestos manager and assistant roles.

Repeat business has been won, with clients including the Royal Household Property Section, Shell Real Estate, Cambridge County Council, London Borough of Lewisham and The University of Cambridge commissioning additional works throughout the year. A large volume of Decent Homes work has been commissioned this year through Breyer and Mitie.

ALS has maintained its accreditation with UKAS ISO 17020, 17025 and ISO 9001 and the company is currently working towards ISO 14001.

B to B Links Limited (B to B)

- 2014: sales of £2,510,300 yielding a profit of £257,600.
- 2013: six-month period since acquisition; sales of £1,093,800 yielding a profit of £83,500.

In its first full year of trading since being acquired by PHSC plc, B to B generated revenues of £2,510,300, representing significant growth on the previous 12 months of trading (£1,850,500). The majority of revenues during the year were generated from national accounts in the department store, grocery, mixed goods and fashion retail sectors. In addition independent retail customers have been, and continue to be, an important source of revenue.

The general outlook for retail has improved over the last 12 months with the economy's return to growth and increased consumer and business confidence. Demand for retail security products and services remains strong as levels of customer theft have continued to rise. B to B's CCTV, security tagging and labelling offer remains competitive and the company's brand presence has developed to the point where the company is regularly gaining new national retail customers. Key priorities for 2015 include maintaining national account activity, growing independent retail sales and making efficiencies in sub-contractor and logistics expenditure.

Inspection Services (UK) Limited (ISL)

- 2014: sales of £195,100 yielding a profit of £5,500.
- 2013: sales of £202,100, yielding a profit of £6,600

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 were around 3.5% lower than in the previous period, at £195,100 compared with £202,100. Although lower, this reflects a slowing down in the rate of decline that has occurred over recent years in what is a mature business sector. The traditional client base continues to contract and there is pressure on prices as ISL competes with other independent companies for work.

Engineers from the company have carried out work for other subsidiaries within the PHSC plc group. The costs of delivery are borne by the company but the income from that work is retained by the originating business. This is in line with group policy of not cross-charging. It is estimated that, had a cross-charging policy been in place, the revenues for this year would have matched those from 2012-13.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2014: sales of £749,500 yielding a profit of £327,500.
- 2013: sales of £765,500 yielding a profit of £300,000.

Despite the slightly lower revenues over the year, EBITDA increased from £137k to around £164k. Profitability was improved by not replacing a member of staff who retired in the first quarter of the year and absorbing the additional workload across existing personnel.

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.

QCS International Limited (QCS)

- 2014: sales of £516,200 yielding a profit of £161,800.
- 2013: eight-month period since acquisition; sales of £334,600 yielding a profit of £98,000.

Turnover for the 12 month period was £516,200 which reflects an increase in revenues of approximately 9% over the same period in the previous year. Continuation of close monitoring to reduce the margin of direct costs and overheads has contributed to a profit of £161,800 which reflects a solid increase of 62%. Most of the growth is within Scotland, but there has been some expansion into England, and cross-selling opportunities mean that QCS has begun to win work for other subsidiaries of the Group.

QCS has retained 90% of outsource clients, with a continued steady growth of new clients to the consultancy portfolio. A rise in consultancy services for medical device clients increased the requirement for specialised medical device associates and two associates are now in place to compliment the consultancy team.

QCS continues to increase in-house training courses. Strong and focussed marketing utilising the new QCS website, targeted e-shots and bi-annual training course brochures have all contributed to continued growth. A partnership agreement with a Danish course provider for medical device courses has given QCS the opportunity to carry out public courses in Denmark and Sweden, and 2014-2015 will further enhance this income stream through training courses in Norway.

In 2015 there will be significant changes to the main quality standards for which the company offers training and consultancy services. This presents a growth opportunity, whereby the company can promote its ability to support those companies who wish to prepare for the revised standards. Combined with an already strong order book of consultancy and public course sales, QCS is confident of additional growth in the year ahead.

Quality Leisure Management Limited (QLM)

- 2014: sales of £463,500 resulting in a loss of £4,500.
- 2013: sales of £607,600, yielding a profit of £119,300.

Turnover for the year ended 31 March 2014 fell by some 24% from £607,600 to £463,500. A uniquely quiet second quarter was the visible cause, with a number of contributory factors.

The loss of a key client was sustained who previously provided regular audit and training work. After 12 years, the Royal Life Saving Society/Institute of Qualified Lifeguards (IQL) external verification scheme programme was taken in house. QLM still conducts some work for IQL but on a much smaller scale. The amount of consultancy provided to the Chartered Institute for the Management of Sport and Physical Activity fell dramatically, due to the reduction in the Institute's own activity.

The drop in turnover resulted in a loss being made for the first time in the company's history. In response, QLM is focussing on its core consultancy business which remains robust with its large and loyal client base. Performance in the last quarter was positive, and the company continues to recover. Current business levels are encouraging.

QLM will continue to develop its product and service range to both attract new clients and to increase sales to existing customers. In addition, cuts to overheads have been made by reducing administration costs and by making minor changes to contracts. The expenses associated with relocating to new office premises are reflected in the costs for the year ended 31 March 2014, and the relocation will result in reduced running costs. These are anticipated to return the business to profitability in the year ahead.

RSA Environmental Health Limited (RSA)

- 2014: sales of £499,400 yielding a profit of £55,900.
- 2013: sales of £420,000 yielding a profit of £10,900.

The year saw an anticipated return to growth, brought about by the repositioning of the business in the previous two financial years. The increase in both revenue and profitability was a direct result of the uptake of the school SafetyMARK service, a support and auditing service, leading to certification, offered to schools and colleges by the In House division of RSA.

The number of educational establishments signed up to the programme stands at approximately 100, with new joiners at the rate of a one a week. Contract renewals are presently running at 90%. Extra services are being introduced to enhance the value of contracts and to encourage client retention. In the year ended 31 March 2014, the company benefitted from second year income from the original SafetyMARK contracts as well as adding more clients at an accelerating rate; direct income from SafetyMARK more than doubled from £31,000 in the previous year to £72,000 in 2013/14. A useful, synergistic partnership with an online school safety management system provider also helped boost revenues.

Overall, school work increased by around £111,000 in 2013/14, and is rapidly replacing other work that had traditionally been delivered by the company. The uplift in value compares with a contraction of around £82,000 in non-school revenues for the company.

The school-specific training courses which the Group designed and had accredited by the Institution of Occupational Safety and Health (IOSH), proved to be popular. When run as public courses, these have the added benefit of being a shop window for the school safety support services (including SafetyMARK) which the company provides. As the brand becomes better known, opportunities arise to present at events as experts in the field of school safety as well as to explore other useful partnerships. These types of innovative conduits have become the focus of the marketing effort, as opposed to the more costly traditional methods. This helped lower the cost base in 2013/14 and assisted with the increase in profitability.

Further links are being built with the National Association of School Business Management (NASBM) and with the International Institute of Risk and Safety Management (IIRSM). The latter relationship involves an exciting school safety project named LoCHER, which is also associated with the Health and Safety Executive.

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. 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 for example, by acquiring B to B and is exploring non-regulatory areas of environmental work to add to the current portfolio of services.

STRATEGIC REPORT *(continued)*

for the year ended 31 March 2014

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. Additionally, 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 and the number of training courses commissioned may be affected by moves towards screen-based interactive learning.

Personnel

Generally there is an excess of demand over supply for health and safety professionals. Those with sufficient qualifications and experience to be suitable for consultancy roles are in the minority. This has the combined effect of making it difficult for the Group to source suitable personnel and having to offer higher remuneration packages to attract them. The Group is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key member of management of the Group may have an adverse effect on the future of the Group's business. 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 recent acquisitions made, particularly QCS 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.

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.

I would like to thank all our longstanding shareholders for their continued support, and to welcome those new investors who have joined the share register as a result of our placing last Autumn.

On behalf of the board

Stephen King,
Group Chief Executive

31 July 2014

REPORT OF THE DIRECTORS

for the year ended 31 March 2014

The directors present their report with the audited financial statements of PHSC plc company and Group for the year ended 31 March 2014.

DIRECTORS

The directors during the year under review were:

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

DIVIDENDS

A dividend of £159,095 was paid during the year ended 31 March 2014 (2013: £104,612 plus an additional dividend of £104,612). The board is proposing a final dividend of 1.5p per ordinary share to be paid on 30 September 2014 to shareholders on the register as at 23 August 2014.

STRATEGIC REPORT

The strategic report has been prepared to provide additional information to shareholders to assess the Group's strategy and the potential to succeed. Information contained with the strategic report also forms part of the directors' report. The strategic report contains certain forward looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties underlying such forward looking statements.

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.

FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a variety of financial risks which are outlined in the strategic report and in Note 1 to the financial statements on page 25.

SHARE BUY BACKS

There were no share buy backs during the year.

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.

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.

SUBSTANTIAL SHAREHOLDINGS

At 9 July 2014, the following persons had notified the company of an interest of 3% or more of its issued share capital.

Name	Number of ordinary shares	Percentage of issued share capital
S A King	3,203,100	25.25
N C Coote	3,144,342	24.79
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	849,057	6.69
Downing LLP held via Downing Income VCT 4 Plc and Downing Income VCT Plc	576,509	4.54
James Faulkner	455,000	3.59

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 10.00am on Monday 8 September 2014 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 55 and 56 of this document and a form of proxy is on page 57.

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

Report and accounts (Resolution 1)

It is a requirement of company law that the annual report and accounts is laid before shareholders in general meeting.

Dividend (Resolution 2)

As noted above, the directors recommend a final dividend of 1.5p per share.

Re-election of directors (Resolutions 3 and 4)

Under the company's articles of association, Mike Miller and Graham Webb retire by rotation and offer themselves for re-election.

Appointment of auditor (Resolution 5)

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 6 and 7)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 6 gives the directors the necessary authority until the earlier of next year's AGM or 30 September 2015 to allot securities up to an aggregate nominal amount of £418,649.

Resolution 7 empowers the directors, until the earlier of next year's AGM or 30 September 2015 to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,537,270 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 9 July 2014. It is intended to renew this authority and power at each annual general meeting.

Voting

A form of proxy is included at the end of this document for use at the AGM. Please complete, sign and return it as soon as possible in accordance with the instructions on it, whether or not you intend to come to the AGM. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. A form of proxy should be returned so that it is received not less than 48 hours (excluding non-working days) 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 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2014

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 and company accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 judgements 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 strategic report on pages 3 to 8. 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 recent acquisitions made. 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 2014

The directors of the company support high standards of corporate governance as set out in the UK corporate governance code. The Group determines its corporate governance systems appropriate to its size and stage of development having due regard to the principles of the Corporate Governance Code. 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 judgement 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. 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. 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 2014

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 31.3.14					Year ended 31.3.13
	Short-term employee benefits			*Post-employment benefits*		
	Salary	**Bonus**	**Benefits**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	£
S A King	65,825	4,417	1,909	3,286	75,437	72,383
N C Coote	62,050	4,417	6,552	3,097	76,116	75,053

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 31.3.14	Year ended 31.3.13
M J L Miller	£11,500	£10,000
G N Webb	£12,500	£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. The AGM provides the board with the opportunity to meet and engage directly with shareholders and all shareholders have the opportunity to put forward questions on performance and operations as well as other related topics at the 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 2014

Crowe Clark Whitehill

We have audited the financial statements of PHSC plc for the year ended 31 March 2014 which comprise the group statement of financial position, the group statement of comprehensive income, the group cash flow statement, the group statement of changes in equity and related notes numbered 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors

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 and express an opinion on 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.

In addition, we read all the financial and non-financial information in the strategic report, the directors' report and the corporate governance statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material 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 2014 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 IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; 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 strategic report and 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
10 Palace Avenue, Maidstone, Kent ME15 6NF

31 July 2014

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	31.3.14 £	31.3.13 £
Non-Current Assets			
Property, plant and equipment	5	**695,662**	713,262
Goodwill	6	**4,609,206**	4,637,077
Deferred tax asset	14	**53**	2,742
		5,304,921	5,353,081
Current Assets			
Inventories	8	**154,270**	152,871
Trade and other receivables	7	**1,935,280**	2,037,724
Cash and cash equivalents	9	**712,397**	216,088
		2,801,947	2,406,683
Total Assets		**8,106,868**	7,759,764
Current Liabilities			
Trade and other payables	11	**1,134,645**	1,098,678
Financial liabilities	12	**6,498**	13,198
Current corporation tax payable		**127,474**	174,464
Deferred consideration	13	**330,000**	441,148
		1,598,617	1,727,488
Non-Current Liabilities			
Financial liabilities	12	–	6,498
Deferred consideration	13	–	330,000
Deferred tax liabilities	14	**67,817**	68,628
		67,817	405,126
Total Liabilities		**1,666,434**	2,132,614
Net Assets		**6,440,434**	5,627,150
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,268,634**	1,060,634
Share premium account	10	**1,831,194**	1,555,529
Capital redemption reserve		**143,628**	143,628
Retained earnings		**3,196,978**	2,867,359
		6,440,434	5,627,150

The financial statements were approved and authorised for issue by the board of directors on 31 July 2014, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 20 to 40 form part of these financial statements

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

	Note	31.3.14 £	31.3.13 £
Continuing operations:			
Revenue		**7,594,281**	5,791,359
Cost of sales	16	**(4,356,092)**	(3,010,500)
Gross profit		**3,238,189**	2,780,859
Administrative expenses	16	**(2,583,170)**	(2,268,026)
Other income	15	**1,096**	5,682
Profit from operations		**656,115**	518,515
Finance income	19	**259**	2,163
Finance costs	19	**(1,524)**	(850)
Profit before taxation		**654,850**	519,828
Corporation tax expense	20	**(160,771)**	(137,477)
Profit for the year after tax attributable to owners of the parent		494,079	382,351
Other comprehensive income		–	-
Total comprehensive income attributable to owners of the parent		494,079	382,351
Attributable to:			
Equity holders of the Group		494,079	382,351
Basic and Diluted Earnings per Share for profit after tax from continuing operations attributable to the equity holders of the Group during the year	21	**4.24p**	3.64p

Accounting policies and notes on pages 20 to 40 form part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
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
Balance at 1 April 2013	1,060,634	1,555,529	143,628	2,867,359	5,627,150
Profit for year attributable to equity holders	–	–	–	494,079	494,079
Issue of shares	208,000	275,665	–	–	483,665
Deferred tax adjustment to property valuation	–	–	–	(5,365)	(5,365)
Dividends	–	–	–	(159,095)	(159,095)
Balance at 31 March 2014	1,268,634	1,831,194	143,628	3,196,978	6,440,434

Accounting policies and notes on pages 20 to 40 form part of these financial statements

PHSC plc

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Note	31.3.14 £	31.3.13 £
Cash flows from operating activities:			
Cash generated from operations	I	**856,333**	427,108
Interest paid		**(1,524)**	(850)
Tax paid		**(211,248)**	(182,705)
Net cash generated from operating activities		**643,561**	243,533
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(30,933)**	(25,371)
Purchase of subsidiary companies (net of cash acquired)		**(441,148)**	(785,866)
Disposal of fixed assets		**–**	88,250
Interest received		**259**	2,163
Net cash used in investing activities		**(471,822)**	(720,824)
Cash flows from financing activities			
Proceeds from placement of shares		**483,665**	–
Dividends paid to Group shareholders		**(159,095)**	(209,223)
Net cash used by financing activities		**324,570**	(209,223)
Net increase/(decrease) in cash and cash equivalents		**496,309**	(686,494)
Cash and cash equivalents at beginning of year		**216,088**	902,582
Cash and cash equivalents at end of year		**712,397**	216,088

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	31.3.14 £	31.3.13 £
I. CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	**656,115**	518,515
Depreciation charge	**48,533**	45,172
Goodwill impairment	**27,871**	39,387
Profit on sale of fixed assets	**–**	(5,184)
Increase in inventories	**(1,399)**	(14,884)
Decrease/(increase) in trade and other receivables	**102,444**	(335,953)
Increase in trade and other payables	**35,967**	187,417
Decrease in financial liabilities	**(13,198)**	(7,362)
Cash generated from operations	**856,333**	427,108

ACCOUNTING POLICIES

for the year ended 31 March 2014

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 strategic report on page 3. 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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.

At the date of authorisation of these financial statements, the following standards and interpretations which have not yet been applied in these financial statements were in issue, but not yet effective (and in some cases had not yet been adopted by the EU).

IFRS standards and interpretations issued (and EU adopted) but not yet effective **Title**	**Effective date, accounting period beginning on or after**
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*
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	01/01/2014
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
IFRIC 21 Levies	01/01/2014

* these MAY be adopted for 2013 and MUST be for 2014

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2014

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	unknown
IAS 16 & IAS 38 Amendments: clarification of acceptable methods of depreciation and amortisation	01/07/2014
IAS 19 Amendment – defined benefit plans: employee contributions	01/01/2016
IAS 16 and IAS 41 Amendments: agriculture: bearer plants	01/01/2016
IFRS 14 Regulatory deferral accounts	01/01/2016
IAS 16 and IAS 38 Amendments: clarification of acceptable methods of depreciation and amortisation	01/01/2016
IFRS 11 Amendments: accounting for acquisitions of interests in joint operations	01/01/2017
IFRS 15 Revenue from contracts with customers	01/07/2014

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 2014.

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. 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.

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.

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 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. An asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the statement of comprehensive income.

Operating lease commitments

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

Intangible assets

Goodwill arises on the acquisition of subsidiary undertakings and interests and represents the excess of the cost of acquisition over the net asset values of the subsidiaries or interests acquired. Such goodwill is capitalised as an intangible asset and is stated at cost less accumulated amortisation and impairment losses.

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.

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2014

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 2014

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 2014				
Trade and other payables	1,134,645	–	–	–
HP liabilities	6,498	–	–	–
At 31 March 2013				
Trade and other payables	1,098,678	–	–	–
HP liabilities	13,198	6,498	–	–

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 paid additional exceptional 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 current deferred consideration as at 31 March 2014 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 2014 has been valued in accordance with IAS 18 "Revenue" has been recognised in line with contract activity and reflects 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 activities is included in the strategic report on pages 5 to 7.

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 7.

	PHSC plc £'000	PHSCL £'000	RSA £'000	ALS £'000	ISL £'000	QLM £'000	QCS £'000	B to B £'000	Total £'000
As at 31 March 2014									
Total revenue (all external)	–	750	499	2,660	195	464	516	2,510	7,594
Depreciation	8	11	1	15	1	6	1	6	49
Subsidiary operating profit/(loss)	(431)	327	56	312	6	(4)	161	257	684
Net interest	–	–	–	–	–	–	–	(1)	(1)
Taxation	(1)	(36)	(9)	(36)	–	–	(35)	(63)	(180)
Deferred taxation	(3)	4	–	2	–	(2)	–	(1)	–
Consolidation adjustments:									
Taxation – group loss relief									14
Taxation – deferred taxation									5
Goodwill impairment									(28)
Group profit for year									494
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
Subsidiary operating profit/(loss)	(428)	300	11	367	7	119	98	84	558
Taxation	(4)	(32)	–	(46)	–	(17)	(22)	(19)	(140)
Deferred taxation	–	–	–	1	–	–	–	2	3
Consolidation adjustments:									
Goodwill impairment									(39)
Group profit for year									382

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	ISL £'000	QLM £'000	QCS £'000	B to B £'000	Total £'000
Year ended 31 March 2014									
Non-current assets	5,746	349	421	220	1	17	4	18	6,776
Current assets	*(560)	376	171	1,199	95	228	268	1,025	2,802
Total assets	5,186	725	592	1,419	96	245	272	1,043	9,578
Current liabilities	*385	85	84	346	95	156	87	375	1,613
Non-current liabilities	4	41	–	14	–	3	1	–	63
Total liabilities	389	126	84	360	95	159	88	375	1,676
Net operating assets	4,797	599	508	1,059	1	86	184	668	7,902
Consolidation adjustments:									
Non-current assets i									(1,471)
Current liabilities ii									14
Non-current liabilities iii									(5)
Net assets									6,440
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	347	44	–	5	–	2	1	6	405
Total liabilities	833	123	86	303	98	160	84	445	2,132
Net operating assets	4,183	589	473	1,135	12	178	116	487	7,173
Consolidation adjustments:									
Non-current assets i									(1,546)
Net assets									5,627

(i) Adjustment of goodwill on consolidation including goodwill amortisation write back under IFRS and goodwill impairment.
(ii) Group relief of corporation tax losses.
(iii) Deferred tax adjustment to property revaluation
* PHSC plc company accounts reflects overdraft in current liabilities. In PHSC plc group accounts and segmental analysis, reflected as part of group facility shown under current assets.

4. AUDITOR REMUNERATION

	31.3.14 £	31.3.13 £
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**4,100**	3,165
Under/(over) accrual in previous years	**5,486**	(225)
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	**21,900**	16,900
Total audit	**31,486**	19,840
Tax		
Tax compliance services	**8,600**	8,790
Tax advisory services	**4,300**	4,300
Total tax	**12,900**	13,090
Total	**44,386**	32,930

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2014

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Totals £
COST					
At 1 April 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
Additions	–	–	30,933	–	30,933
At 31 March 2014	712,000	32,299	358,396	25,130	1,127,825
DEPRECIATION					
At 1 April 2012	100,212	16,788	230,074	22,122	369,196
Charge for the 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
Charge for year	14,240	2,398	26,157	5,738	48,533
At 31 March 2014	122,742	21,584	279,923	7,914	432,163
NET BOOK VALUE					
At 31 March 2014	589,258	10,715	78,473	17,216	695,662
At 31 March 2013	603,498	13,113	73,697	22,954	713,262
At 1 April 2012	686,288	6,929	74,565	1,797	769,579

Depreciation expenses of £48,533 (2013: £45,172) are included in administrative expenses in the statement of comprehensive income.

Motor vehicles with a net book value to £11,856 (2013: £15,809) are subject to a finance lease.

Lease rentals amounting to £132,999 (2013: £136,996), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

6. GOODWILL

	Goodwill £
COST	
At 1 April 2012	3,620,731
Additions	1,361,202
At 31 March 2013 and 31 March 2014	4,981,933
AMORTISATION	
At 1 April 2012	305,469
Impairment	39,387
At 31 March 2013	344,856
Impairment	27,871
At 31 March 2014	372,727
NET BOOK VALUE	
At 31 March 2014	4,609,206
At 31 March 2013	4,637,077
At 1 April 2012	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:

	31.3.14 £	31.3.13 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	**594,952**	594,952
RSA Environmental Health Limited	**581,482**	608,130
Adamson's Laboratory Services Limited	**1,234,127**	1,234,127
Inspection Services (UK) Limited	**205,207**	205,207
Quality Leisure Management Limited	**582,844**	582,844
QCS International Limited	**417,638**	417,638
B to B Links Limited	**943,564**	943,564
	4,559,814	4,586,462
At company level	**49,392**	50,615
Total goodwill for Group	**4,609,206**	4,637,077

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. GOODWILL – 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%.

The annual impairment review identified that the goodwill arising on the acquisition of RSA needed to be impaired. An impairment charge of £26,648 was made to the value of goodwill in the group financial statements. At company level, within RSA, a balance relating to goodwill of £1,223, inherited on acquisition of RSA by PHSC plc, was impaired to reduce its net book value to nil.

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	2,284,582	66,800	79
RSA Environmental Health Limited	–	65,300	8
Adamson's Laboratory Services Limited	1,030,349	138,550	46
Inspection Services (UK) Limited	34,012	23,050	14
Quality Leisure Management Limited	81,732	65,450	12
QCS International Limited	726,751	49,150	62
B to B Links Limited	1,933,021	114,400	65

7. TRADE AND OTHER RECEIVABLES

	31.3.14 £	31.3.13 £
Trade receivables	**1,559,116**	1,754,263
Less provision for impairment of trade receivables	**(24,416)**	(9,641)
Trade receivables – net	**1,534,700**	1,744,622
Other debtors, prepayments and accrued income	**400,580**	293,102
Total	**1,935,280**	2,037,724

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% or more of their turnover for the year ended 31 March 2014.

Entity	**Percentage of turnover derived from a single customer**
Adamson's Laboratory Services Limited	19%
Adamson's Laboratory Services Limited	12%
B to B Links Limited	57%
B to B Links Limited	11%
Inspection Services (UK) Limited	13%
Personnel Health & Safety Consultants Limited	17%
QCS International Limited	11%

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

At 31 March 2014, there were £24,416 impaired trade receivables (2013: £9,641).

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

	31.3.14 £	31.3.13 £
Up to 3 months	**661,025**	422,784
3 – 6 months	**70,691**	132,620
Over 6 months	**36,087**	67,096
	767,803	622,500

£23,495 of the year end trade receivables over 6 months relates to a single debt against which a full provision has been made. 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:

	31.3.14 £	31.3.13 £
At 1 April	**9,641**	9,128
Provision for receivables impairment	**38,915**	4,217
Receivables written off during the year as uncollectible	**(24,140)**	(3,704)
At 31 March	**24,416**	9,641

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 2014

8. INVENTORIES

	31.3.14 £	31.3.13 £
Stocks	**154,270**	152,871

A total of £nil inventory was written down in the current year (2013: £nil). The value of inventory consumed and recognised as an expense was £1,176,755 (2013: £956,104).

9. CASH AND CASH EQUIVALENTS

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

	31.3.14 £	31.3.13 £
Cash at bank and in hand	**712,397**	216,088

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 2012	10,381,973	1,038,196	1,497,409	2,535,605
Shares issued	224,380	22,438	70,300	92,738
Less: stamp duty on share issue	–	–	(12,180)	(12,180)
At 31 March 2013	10,606,353	1,060,634	1,555,529	2,616,163
Shares issued	2,080,000	208,000	275,665	483,665
At 31 March 2014	12,686,353	1,268,634	1,831,194	3,099,828

11. TRADE AND OTHER PAYABLES

	31.3.14 £	31.3.13 £
Trade payables	**354,332**	364,187
Social security and other taxes	**349,730**	372,343
Other payables	**68,533**	62,719
Accruals and deferred income	**362,050**	299,429
Total	**1,134,645**	1,098,678

12. FINANCIAL LIABILITIES

	31.3.14 £	31.3.13 £
Current		
Hire purchase agreements	**6,498**	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 renewed the Group's extended overdraft facility which is 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.

13. DEFERRED CONSIDERATION

	Current £	Non-current £	Total £
At 1 April 2012	–	–	–
New deferred consideration	441,148	330,000	771,148
At 31 March 2013	441,148	330,000	771,148
Movement from non-current to current	330,000	(330,000)	–
Paid in year	(441,148)	–	(441,148)
At 31 March 2014	330,000	–	330,000

On the first anniversary of the purchase of QCS, £160,000 became due under the sale and purchase agreement. The actual payment reduced to £121,148 due to an adjustment, agreed with the vendor, to the net assets on completion. 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 fell 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 as at 31 March 2014.

14. DEFERRED TAX

Deferred tax asset	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2012	–	–	2,600	2,600
(Credited)/debited to income statement	–	1,161	(1,019)	142
At 31 March 2012	–	1,161	1,581	2,742
Credited to income statement	–	(1,161)	(1,528)	(2,689)
At 31 March 2014	–	–	53	53

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 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
(Credited)/debited to income statement	(5,365)	4,554	–	(811)
At 31 March 2014	49,577	13,083	5,157	67,817

Deferred tax has been provided on the revalued fixed assets at 21% (2013: 23%). At present it is not envisaged that any tax will become payable in the foreseeable future.

15. OTHER INCOME

	31.3.14 £	31.3.13 £
Rent received	**1,050**	5,550
Miscellaneous income	**46**	132
	1,096	5,682

16. EXPENSES BY NATURE

	31.3.14 £	31.3.13 £
Cost of sales	**2,581,000**	1,359,189
Staff related costs	**3,035,758**	2,736,440
Premises costs	**94,958**	86,655
Professional fees	**231,931**	189,800
Other expenses	**995,615**	906,442
Total cost of sales and administrative expenses	**6,939,262**	5,278,526

NOTES TO THE FINANCIAL STATEMENTS *(continued)*
for the year ended 31 March 2014

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.14 £	31.3.13 £
Wages and salaries	**2,685,678**	2,418,753
Social security costs	**266,268**	241,976
Other pension costs	**37,654**	34,717
	2,989,600	2,695,446

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

	31.3.14	31.3.13
Directors	**10**	10
Consultants	**45**	46
Administrative	**29**	29
Total	**84**	85

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.14 £	31.3.13 £
Emoluments	**169,170**	162,959
Pension contributions to money purchase schemes	**6,383**	6,477
	175,553	169,436

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

	Year ended 31.3.14 Short term employee benefits					
				Post employment benefits		Year ended 31.3.13
	Salary £	Bonus £	Benefits £	Pension £	Total £	Total £
S A King	65,825	4,417	1,909	3,286	**75,437**	72,383
N C Coote	62,050	4,417	6,552	3,097	**76,116**	75,053

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 31.3.14 £	Year ended 31.3.13 £
M J L Miller	**11,500**	10,000
G N Webb	**12,500**	12,000

The executive directors are the key management personnel. During the year retirement benefits were accruing to 2 directors (2013: 2) in respect of defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2014

19. FINANCE INCOME AND COSTS

	31.3.14 £	31.3.13 £
Finance income		
Interest received	**259**	2,163
Interest expense		
Bank interest	**–**	87
HP interest	**1,524**	763
	1,524	850
Net finance income	**1,265**	1,313

20. TAXATION

Analysis of tax charge in year

	31.3.14 £	31.3.13 £
Current tax:		
UK corporation tax on profits in the year	**157,469**	139,666
Adjustments in respect of previous year	**6,791**	466
Total current tax	**164,260**	140,132
Deferred tax on origination and reversal of timing differences (provided at 23 per cent.)	**(3,489)**	(2,655)
Taxation	**160,771**	137,477

Factors affecting tax charge for year

The tax assessed for the year is higher (2013: higher) than the standard rate of corporation tax in the UK of 20% (2013: 20%).

The differences are explained below:

	31.3.14 £	31.3.13 £
Profit on ordinary activities before tax	**654,850**	519,828
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20/23% (2013: 20/24%)	**152,119**	124,759
Effects of:		
Expenses not deductible for tax purposes	**8,816**	14,888
Other permanent differences	**3,497**	–
Group relief claimed before payment	**(1,877)**	–
Marginal relief	**(1,836)**	(2,107)
Adjustments in respect of prior periods	**11,593**	466
Effect of tax rate change on opening balance	**(1,016)**	–
Effect property revaluation	**(5,160)**	–
Deferred tax movement re tangible assets not recognised	**(5,365)**	258
Effect of change in deferred tax rate	**–**	(787)
Current tax charge	**160,771**	137,477

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.

	31.3.14	31.3.13
Profit attributable to equity holders of the Group (£)	**494,079**	382,351
Weighted average number of ordinary shares in issue	**11,643,504**	10,508,681
Basic earnings per share (pence per share)	**4.24p**	3.64p

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

22. DIVIDENDS

The dividends paid in respect of the years ended 31 March 2013 and 2012 were £209,223 and £159,095 respectively. For the year ended 31 March 2012 the dividend was 1.0p per ordinary share plus an additional dividend of 1.0p per share and for the year ended 31 March 2013, the dividend was 1.5p per ordinary share. A dividend in respect of the year ended 31 March 2014 of 1.5p per ordinary share amounting to a total dividend of £190,295 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 are:

	31.3.14		31.3.13	
	Land and buildings £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	**17,492**	**76,362**	25,492	69,499
Between two and five years	**30,663**	**60,055**	11,988	77,565
Total	**48,155**	**136,417**	37,480	147,064

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

	31.3.14 £	31.3.13 £
Adamson's Laboratory Services Limited	**164,640**	186,000
B to B Links Limited	**12,000**	6,000
Inspection Services (UK) Limited	**6,000**	6,000
Personnel Health & Safety Consultants Limited	**180,000**	174,000
QCS International Limited	**10,800**	7,200
Quality Leisure Management Limited	**48,000**	48,000
RSA Environmental Health Limited	**12,000**	12,000
Total	**433,440**	439,200

24. RELATED PARTY DISCLOSURES – continued

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

	31.3.14 £	31.3.13 £
Amounts owed by group undertakings:		
Adamson's Laboratory Services Limited	**50,289**	33,500
B to B Links Limited	**3,698**	3,600
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**209**	–
Personnel Health & Safety Consultants Limited	**1,066**	–
	524,566	506,404
Amounts owed to group undertakings:		
Personnel Health & Safety Consultants Limited	**–**	544
QCS International Limited	**–**	1,025
RSA Environmental Health Limited	**414**	–
	414	1,569
PHSC plc dividends were paid to directors as follows:		
S A King	**46,546**	57,932
N C Coote	**46,265**	57,759
G N Webb MBE	**300**	374
Total	**93,111**	116,065

25. 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 25.25% (2013: 29.26%) of the issued share capital of PHSC plc.

Company number: 4121793

PHSC plc

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

Registered number: 4121793

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	31.3.14 £	31.3.13 As restated £
Non-Current Assets			
Goodwill	9	**29,230**	29,230
Property, plant and equipment	10	**123,572**	121,868
Investments	11	**5,593,394**	5,593,394
		5,746,196	5,744,492
Current Assets			
Trade and other receivables	12	**546,997**	521,294
Cash and cash equivalents		**–**	-
		546,997	521,294
Total Assets		**6,293,193**	6,265,786
Current Liabilities			
Trade and other payables	13	**54,823**	48,479
Financial liabilities	14	**583,299**	844,484
Current corporation tax		**588**	3,936
Deferred consideration	15	**330,000**	441,148
		968,710	1,338,047
Non-Current Liabilities			
Deferred consideration	15	**–**	330,000
Deferred taxation	16	**3,711**	-
		3,711	330,000
Total Liabilities		**972,421**	1,668,047
Net Assets		**5,320,772**	4,597,739
Capital and reserves attributable to equity holders of the Group			
Called up share capital	17	**1,268,634**	1,060,634
Share premium account		**1,831,194**	1,555,529
Capital redemption reserve		**143,628**	143,628
Retained earnings		**2,077,316**	1,837,948
		5,320,772	4,597,739

Approved and authorised for issue by the Board on 31 July 2014 and signed on its behalf by:

S A King *Director*

PHSC plc

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2014

	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	–	–	–	(94,630)	(94,630)
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**	**1,837,948**	**4,597,739**
Balance at 1 April 2013	**1,060,634**	**1,555,529**	**143,628**	**1,837,948**	**4,597,739**
Loss for year attributable to equity holders	–	–	–	(1,537)	(1,537)
Issue of shares	208,000	275,665	–	–	483,665
Dividend paid	–	–	–	(159,095)	(159,095)
Dividends received	–	–	–	400,000	400,000
Balance at 31 March 2014	**1,268,634**	**1,831,194**	**143,628**	**2,077,316**	**5,320,772**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	Note	31.3.14 £	31.3.13 £
Cash flows (used by)/from operating activities:			
Cash generated (used by)/from operations	I	**(8,766)**	117,686
Tax paid		**(3,988)**	(2,235)
Net cash (used by)/generated from operating activities		**(12,754)**	115,451
Cash flows used in investing activities			
Purchase of subsidiary companies (net of cash acquired)		**(441,148)**	(982,620)
Purchase of property, plant and equipment		**(9,599)**	(12,086)
Proceeds from sale of property		**–**	74,000
Net cash used in investing activities		**(450,747)**	(920,706)
Cash flows from/(used in) financing activities			
Interest received		**150**	2,009
Interest paid		**(34)**	(87)
Proceeds from placement of shares		**483,665**	–
Dividends from subsidiary companies		**400,000**	–
Dividends paid to Group shareholders		**(159,095)**	(209,223)
Net cash from/(used in) financing activities		**724,686**	(207,301)
Net increase/(decrease) in financial liabilities		**261,185**	(1,012,556)
Cash and cash equivalents at beginning of year		**(844,484)**	168,072
Financial liabilities at end of year		**(583,299)**	(844,484)

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

	31.3.14 £	31.3.13 £
I. CASH (USED BY)/GENERATED FROM OPERATIONS		
Profit before taxation and interest	**2,698**	(92,161)
Depreciation charge	**7,895**	5,724
Impairment of investment	**–**	102,431
Profit on sale of fixed asset	**–**	(5,460)
(Increase)/decrease in trade and other receivables	**(25,703)**	103,143
Increase in trade and other payables	**6,344**	4,009
Cash (used by)/generated from operations	**(8,766)**	117,686

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1. BASIS OF PREPARATION

The company'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 accounting basis has changed from the previous year when the financial statements were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS and the changes to accounting policies are explained in note 22 together with the reconciliation of opening balances. The date of transition to IFRS is 1 April 2012.

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 company'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 20.

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 before dividends received from subsidiaries (2014: £400,000: (2013: £nil)) was £1,537 (2013: £96,917). There were no recognised gains and losses for 2014 or 2013 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 £1,537 (2013: loss £94,630) for the year ended 31 March 2014 and had net current assets of £5,320,772 at the balance sheet date (2013: £4,597,739).

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 company has adequate resources to continue in operational existence for the foreseeable future based upon forecasts. Further details are provided in the directors' report.

At the date of authorisation of these financial statements, the following standards and interpretations which have not yet been applied in these financial statements were in issue, but not yet effective (and in some cases had not yet been adopted by the EU).

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

Title	Effective date, accounting period beginning on or after
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*
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	01/01/2014
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
IFRIC 21 Levies	01/01/2014

* these MAY be adopted for 2013 and MUST be for 2014

1. BASIS OF PREPARATION – continued

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	unknown
IAS 16 & IAS38 Amendments: clarification of acceptable methods of depreciation and amortisation	01/07/2014
IAS 19 Amendment – defined benefit plans: employee contributions	01/01/2016
IAS 16 and IAS 41 Amendments: agriculture: bearer plants	01/01/2016
IFRS 14 Regulatory deferral accounts	01/01/2016
IAS 16 and IAS 38 Amendments: clarification of acceptable methods of depreciation and amortisation	01/01/2016
IFRS 11 Amendments: accounting for acquisitions of interests in joint operations	01/01/2017
IFRS 15 Revenue from contracts with customers	01/07/2014

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

2. ACCOUNTING POLICIES

Revenue

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The directors regard the operations of the company as being one business segment. Further analysis of revenue is disclosed in note 3.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of non-current assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	–	2% straight line on cost
Improvements to property	–	shorter of the lease term and 10% straight line on cost
Fixtures and equipment	–	25% reducing balance

2. ACCOUNTING POLICIES – continued

Intangible assets

Goodwill represents the amount paid in connection with the acquisition of a business and represents the excess of the cost of acquisition over the net asset values of the interests acquired. Such goodwill is capitalised as an intangible asset and is stated at cost less accumulated amortisation and impairment losses.

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 each year. 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 company 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.

2. ACCOUNTING POLICIES – continued

Share capital – continued

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.

3. REVENUE

The revenue of the company during the year was generated in the United Kingdom and derives from the management charge levied to the subsidiary companies.

4. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	31.3.14	31.3.13
	£	£
Depreciation – owned assets	**7,895**	5,724

5. DIRECTORS' REMUNERATION

Full details are given on page 37 of the group accounts.

6. STAFF COSTS

	31.3.14	31.3.13
	£	£
The average monthly number of employees during the year was as follows:		
Directors	**4**	4
Administration	**3**	3
	7	7
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**243,230**	232,748
Social security costs	**24,534**	23,853
Other pension costs	**8,141**	8,046
	275,905	264,647

The directors are considered to be key management personnel of the company.

7. AUDITOR'S REMUNERATION

Full details are given on page 29 of the group accounts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2014

8. FINANCE INCOME AND COSTS

	31.3.14 £	31.3.13 £
Finance income		
Interest received	**150**	2,009
Interest expense		
Bank interest	**(34)**	(87)
Net finance income	**116**	1,922

9. GOODWILL

	Goodwill As restated £
COST	
At 1 April 2013 and 31 March 2014	45,739
AMORTISATION	
At 1 April 2013 and 31 March 2014	16,509
NET BOOK VALUE	
At 31 March 2014 and 31 March 2013	29,230

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 of the holding company, PHSC plc 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 company's business to achieve growth.

	Margin in carrying value £	Annual cash flow at which impairment is required £	WACC at which impairment is required %
Goodwill	–	3,300	8.35

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2013	122,000	23,978	3,504	149,482
Additions	–	–	9,599	9,599
At 31 March 2014	122,000	23,978	13,103	159,081
DEPRECIATION				
At 1 April 2013	15,870	10,868	876	27,614
Charge for the year	2,440	2,398	3,057	7,895
At 31 March 2014	18,310	13,266	3,933	35,509
NET BOOK VALUE				
At 31 March 2014	103,690	10,712	9,170	123,572
At 31 March 2013	106,130	13,110	2,628	121,868

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.14 £	31.3.13 £
At 1 April	**5,593,394**	3,861,500
Additions	**–**	1,834,325
Write down of investment	**–**	(102,431)
At 31 March	**5,593,394**	5,593,394

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
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

12. TRADE AND OTHER RECEIVABLES

	31.3.14 £	31.3.13 £
Amount owed by subsidiary undertakings	**524,566**	506,404
Other receivables, prepayments and accrued income	**22,431**	14,890
	546,997	521,294

13. TRADE AND OTHER PAYABLES

	31.3.14 £	31.3.13 £
Trade payables	**500**	84
Amount owed to subsidiary undertakings	**414**	1,569
Social security and other taxes	**24,724**	23,908
Other payables	**7,505**	3,680
Accruals and deferred income	**21,680**	19,238
	54,823	48,479

14. FINANCIAL LIABILITIES

	31.3.14 £	31.3.13 £
Current		
Bank overdraft	**583,299**	844,484

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 renewed the Group's extended overdraft facility which is 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 2014, PHSC plc's company balance was £583,299 overdrawn (2013: £844,484) within the Group's cash at bank and in hand figure of £712,397 (2013: £216,088). The overdraft facility is reviewed subject to requirement.

15. DEFERRED CONSIDERATION

	Current £	Non-current £	Total £
At 1 April 2012	–	–	–
New deferred consideration	441,148	330,000	771,148
At 31 March 2013	441,148	330,000	771,148
Movement from non-current to current	330,000	(330,000)	–
Paid in year	(441,148)	–	(441,148)
At 31 March 2014	330,000	–	330,000

On the first anniversary of the purchase of QCS, £160,000 became due under the sale and purchase agreement. The actual payment was reduced to £121,148 due to an adjustment, agreed with the vendor, to the net assets on completion. 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 fell 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 (estimate as at 31 March 2013: £250,000) has been made in the accounts based on performance to date.

16. DEFERRED TAXATION

	31.3.14 £	31.3.13 £
Deferred taxation	**3,711**	–

	Deferred tax £	Deferred tax £
At 1 April 2013	–	–
Deferred tax credit in year	**3,711**	–
At 31 March 2014	**3,711**	–

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2014

17. 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	224,380	22,438	70,300	92,738
Less: stamp duty on share issue	–	–	(12,180)	(12,180)
At 31 March 2013	10,606,353	1,060,634	1,555,529	2,616,163
Shares issued	2,080,000	208,000	275,665	483,665
At 31 March 2014	12,686,353	1,268,634	1,831,194	3,099,828

During the year 2,080,000 shares with a nominal value of 10p per share were issued for an average consideration of 25p per share.

18. RELATED PARTY DISCLOSURES

A management charge is levied by PHSC plc to its subsidiary companies to reflect the central services it provides.

	31.3.14 £	31.3.13 £
Management charge from PHSC plc to subsidiary companies	**433,440**	439,200

The inter-company balances between PHSC plc and the other companies within the PHSC plc group are summarised below.

	31.3.14 £	31.3.13 £
Amounts owed by group undertakings		
Adamson's Laboratory Services Limited	**50,289**	33,500
B to B Links Limited	**3,698**	3,600
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**209**	–
Personnel Health & Safety Consultants Limited	**1,066**	–
	524,566	506,404
Amounts owed to group undertakings		
Personnel Health & Safety Consultants Limited	**–**	544
QCS International Limited	**–**	1,025
RSA Environmental Health	**414**	–
	414	1,569
PHSC plc dividends received from subsidiaries as follows:		
Adamson's Laboratory Services Limited	**200,000**	–
Inspection Services (UK) Limited	**10,000**	–
Personnel Health & Safety Consultants Limited	**100,000**	–
QCS International Limited	**50,000**	–
Quality Leisure Management Limited	**40,000**	–
	400,000	–
PHSC plc dividends were paid to directors as follows:		
S A King	**46,546**	57,932
N C Coote	**46,265**	57,759
G N Webb MBE	**300**	374
	93,111	116,065

19. FINANCIAL INSTRUMENTS

The company's principal financial instruments comprise cash, short terms borrowings and items such as trade payables that arise directly from operations. The main purpose of these financial instruments is the funding of the company's trading activities.

The main risk arising from the company's financial instruments is liquidity risk. The company seeks to manage this risk by ensuring sufficient liquidity is available from current banking facilities to meet foreseeable needs and to invest cash assets safely and profitably. This policy has remained unchanged from previous periods.

The source currency of the assets and liabilities of the company are held in sterling and all transactions are in sterling. The company is not therefore exposed to currency risk.

The fair values of the company's financial instruments are considered not to be materially different to their book value.

20. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company may be required to make estimates and assumptions 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 principal areas where judgement was exercised are as follows:

Property, plant and equipment

The directors annually assess both the residual value of these assets and the expected useful life of such assets which is currently judged to be up to 4 years, based on experience.

Deferred consideration

Note 15 provides details of deferred consideration of £80,000 and £250,000 as at 31 March 2014 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.

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. 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 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.

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 IAS 36 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%.

21. PARENT UNDERTAKING

PHSC plc, incorporated in the UK, is the ultimate parent company of the group. There is no ultimate controlling party but Mr S A King, Group Chief Executive, owns 25.25% (2013: 29.26%) of the issued share capital of PHSC plc.

The parent company operates within the UK and its accounts may be obtained from the same registered office address as noted on page 1 of the group accounts.

22. EXPLANATION OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in the accounting policies, these are the first annual financial statements prepared in accordance with IFRS.

The following differences were noted between the treatment under UK GAAP and IFRS:

	On transition to IFRS 1.4.12 £	Under UK GAAP 31.3.13 £	IFRS adjustments £	As restated under IFRS 31.3.13 £
Non-Current Assets				
Goodwill	29,230	26,943	2,287	29,230
Property, plant and equipment	184,047	121,868	–	121,868
Investments	3,861,500	5,593,394	–	5,593,394
	4,074,777	5,742,205	2,287	5,744,492
Current Assets				
Trade and other receivables	624,436	521,294	–	521,294
Cash and cash equivalents	168,072	–	–	–
	792,508	521,294	–	521,294
Total Assets	**4,867,285**	**6,263,499**	**2,287**	**6,265,786**
Current Liabilities				
Trade and other payables	46,251	48,479	–	48,479
Financial liabilities	–	844,484	–	844,484
Current corporation tax	–	3,936	–	3,936
Deferred consideration	–	441,148	–	441,148
	46,251	1,338,047	–	1,338,047
Non-Current Liabilities				
Deferred consideration	–	330,000	–	330,000
Deferred taxation	–	–	–	–
	–	330,000	–	330,000
Total Liabilities	**46,251**	**1,668,047**	**–**	**1,668,047**
Net Assets	**4,821,034**	**4,595,452**	**2,287**	**4,597,739**

Under UK GAAP amortisation of 5% (£2,287) per annum was applied to goodwill at cost. Under IFRS, the directors review goodwill for impairment on an annual basis and a charge is only raised if the directors deem that the recoverable amount of the goodwill is lower than its net book value. The impact was to increase reported profit in 2013 by £2,287.

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 8 September 2014 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution.

1. To receive the annual report and audited accounts for the year ended 31 March 2014.

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

3 To re-elect Mr Michael J L Miller as a director.

4 To re-elect Mr Graham N Webb MBE as a director.

5. To reappoint Crowe Clark Whitehill LLP as auditor to the company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.

6. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 551) up to a total nominal amount of £418,649 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting in 2015 or on 30 September 2015, 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

7. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 6 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 6 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 £253,726

   such power to expire at the conclusion of the annual general meeting of the company in 2015 or, if earlier, on 30 September 2015, 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.

By order of the board

L E Young
Secretary

5 August 2014

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 4 September 2014. 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) at 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 Freepost, RTCU-SSLT-AXUX, 190 High Street, Tonbridge, Kent TN9 1BE no later than 48 hours (excluding non-working days) before the meeting. 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 Freepost, RTCU-SSLT-AXUX, 190 High Street, Tonbridge, Kent TN9 1BER
- 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, Freepost RTCU-SSLT-AXUX, 190 High Street, Tonbridge, Kent TN9 1BE. 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 (excluding non-working days) 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 12,686,348 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 12,686,348.

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 8 September 2014

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 M J Miller as a director	☐	☐	☐	☐
4. To re-elect G N Webb MBE as a director	☐	☐	☐	☐
5. To reappoint the auditors and authorise the directors to set their fees	☐	☐	☐	☐
6. To authorise the directors to allot shares	☐	☐	☐	☐
7. To disapply pre-emption rights	☐	☐	☐	☐

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, Freepost RTCU-SSLT-AXUX, 190 High Street, Tonbridge, Kent, TN9 1BE, no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment.