PHSC plc

Annual Report
2015

Adamson's Laboratory Services

B to B Links

Envex
Health, Safety & Risk Consultants

In House
In House The Hygiene Management Company

Inspection Services (U.K.)

PHSC Ltd
Personnel Health & Safety Consultants

QCS International

QLM
QUALITY LEISURE MANAGEMENT

RSA Environmental Health

National Safety Certification Scheme for Schools
SafetyMARK

PHSC plc

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for the year ended 31 March 2015

COMPANY INFORMATION

for the year ended 31 March 2015

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)
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STRATEGIC REPORT

for the year ended 31 March 2015

HIGHLIGHTS

- Underlying EBITDA* improved by 11% at £0.818m, up from £0.735m
- Group revenues increased by 2% to £7.731m compared with £7.594m
- Cash reserves fall to £0.462m due to final acquisition payments
- Group net assets rise to £6.6m
- Earnings per share after exceptional costs fall to 2.75p from 4.24p
- Profit after tax and exceptional costs fell to £349k from £494k
- Proposed final dividend held at 1.5p per share

* Underlying EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and exceptional costs.

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.

In order to diversify its offering, the Group took a decision to branch out from its core business of health and safety in 2012. Acquisitions made at that time have enabled us to add quality management systems consultancy and training, and innovative retail security solutions including tagging, labelling and CCTV to the activities of the Group. It is the efforts of these newer subsidiaries, QCS International Limited (QCS) and B to B Links Limited (B to B), that have enabled us to deliver improved revenues and profits. B to B reaped the benefit of a substantial one-off additional programme of work from a key client, and this contributed greatly to Group performance.

The legacy businesses generated £4.599m of sales compared with £4.567m in the previous year. Our ability to retain customers through the quality and effectiveness of the service we provide is a major strength. 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 and reduced Government funding of the enforcement authorities has led to some organisations spending less on compliance services and on general discretionary services.

Acquisition payments

Final payments totaling £563,528 were made in cash in respect of the acquisition of QCS and B to B acquired in July and October 2012 respectively. On the second anniversary of the purchase of QCS a final payment of £80,000 was due under the terms of the share purchase agreement, and this was subject to adjustment up or down according to performance against targets. Due to the positive performance of the company in the two years post acquisition an additional amount of £25,283 became due. This resulted in a final payment of £105,283.

Similarly on the second anniversary of the purchase of B to B, a final cash payment of between £120,000 and £800,000 fell due, adjustable up or down according to performance over the two years post completion. At the time of acquisition a provision of £250,000 was made in the accounts, but the actual payment exceeded this by £208,245 due to a very strong trading finish to the two year earn out period. This brought the final payment to £458,245.

The statement of comprehensive income treats the £25,283 and £208,245 additional payments for QCS and B to B respectively as exceptional expenses. This treatment is in line with IFRS requirements but has the unfortunate effect of reducing the final earnings per share. These exceptional expenses are not regarded as allowable when calculating the Company's corporation tax liability.

Net asset value

As at 31 March 2015, the company had net assets of £6.6 million. There were 12,686,353 ordinary shares in issue at that date which equates to a net asset value per share of 52p. The ordinary shares of the company continue to trade at a discount 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 group statement of financial position can still be justified. This year it was decided to write off £29,230 which related to the carrying value of an unincorporated business, Lindum Consulting. The contracts of Lindum were purchased by the company around ten years ago, when the founder of that business retired. None of the contracts remain current so there is no justification in maintaining a value in respect of them. The board remains comfortable with all other valuations.

Outlook

Whilst we remain confident that core revenues from our regular and retained clients will underpin the coming year's performance, we recognise that it is unlikely that we shall be able to replicate the exceptionally favourable circumstances that occurred last year. We will work hard to find similar opportunities to replace revenues that ended on completion of the large one-off additional assignment fulfilled by B to B. Another high-value contract that ends in 2015-16 relates to asbestos consultancy services provided by Adamson's Laboratory Services Limited (ALS) and we do not expect that this subsidiary will be able to win sufficient new work in the short term to fully compensate for this gap in the forward order book.

Now that we have fulfilled all our obligations in respect of acquisition payments, we are in a position to begin to accumulate more comfortable cash reserves as the year progresses. At this time the Group has not committed to further acquisitions, but is prepared to pursue opportunities if the right proposition presents itself at the right price and where this is clearly seen as being in shareholders' best interests.

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 £7,730,900 from £7,594,300. B to B and Quality Leisure Management Limited both enjoyed strong growth in turnover in the year to 31 March 2015.

Earnings before interest, taxation, depreciation, amortisation and exceptional costs (underlying EBITDA)

The Group generated an 11% increase to underlying EBITDA. The figure of £818,400 EBITDA compares with £735,000 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 rose from 89 at the start of the year to 96 as at 31 March 2015, with 19 joiners and 12 leavers across the Group. Recruitment of additional consultants within ALS was the main cause of increased staff numbers within the Group.

Pre-tax profit per subsidiary before Group management charges

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

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)

- 2015: sales of £2,694,500 yielding a profit of £276,300.
- 2014: sales of £2,660,300 yielding a profit of £312,300.

The turnover of ALS increased over the period, and the gross profit margin was maintained at 39%.

Asbestos-related revenues account for the majority of income. The health and safety department's turnover decreased slightly but the integration of Envex continues to work well and the volume of occupational hygiene consultancy showed some growth.

Training income was stable, with the British Occupation Hygiene Society proficiency modules and general asbestos awareness training remaining popular.

The main activity of asbestos consultancy remained consistent. The company benefitted from an extension to a contract for a large university, and this included the secondment of a full-time member of staff along with the provision of full UKAS accredited laboratory services onsite. Work under this contract is scheduled to conclude at the end of the first quarter of the 2015/16 financial year.

ALS continued to supply two full-time members of staff to another high-profile university, fulfilling the asbestos manager and assistant roles.

Repeat business was won throughout the year, with several blue chip clients in the private sector, and with local government.

ALS has successfully maintained its accreditation with UKAS ISO 17020, 17025 and ISO 9001.

B to B Links Limited (B to B)

- 2015: sales of £2,604,100 yielding a profit of £357,100.
- 2014: sales of £2,510,300 yielding a profit of £256,200.

In its second full year of trading since being acquired by PHSC plc, B to B generated revenues of £2,604,100, an increase of 4% on the previous 12 months of trading (£2,510,300). The majority of revenues during the year came from national accounts in the department store, fashion retail, grocery, electrical goods and builders' merchant sectors. In addition independent retail customers have been, and continue to be, an important source of revenue. The company had an exceptionally strong performance during the first half of the year due to a large project for its department store customer as well as a major roll-out for a new national account in the building trade.

The general outlook for retail remains positive and demand for retail security products and services remains strong as levels of customer theft have continued to rise. B to B's security tagging and labelling offer remains competitive and the company has responded to customer demand by adding a competitive Internet Protocol CCTV product range to its CCTV offer. After a period of rapid change and growth since acquisition, priorities for 2016 are to invest in technical and sales capacity to improve installation and maintenance efficiency and grow independent sales.

Inspection Services (UK) Limited (ISL)

- 2015: sales of £195,900 yielding a profit of £17,100.
- 2014: sales of £195,100 yielding a profit of £5,600.

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 at £195,900 were almost identical to those seen in the previous period, but profitability improved. The main reason for the improvement was a reduction in administrative costs, with a full-time member of staff leaving during the year and being replaced by a part-timer.

The majority of income continues to derive from the insurance sector, where a large amount of repeat business is enjoyed as clients tend to renew policies through their brokers.

The service that ISL provides enables clients to meet obligations under requirements placed upon them by health and safety legislation. As long as ISL delivers a good service with charges maintained at or around the previous year, there is little motivation for clients to seek alternative providers.

Engineers from the company have carried out work for the clients of other subsidiaries within the PHSC plc group. The costs of delivery are borne by the company, and revenues stay with the origination subsidiary, in line with group policy of not cross-charging.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2015: sales of £753,800 yielding a profit of £332,000.
- 2014: sales of £749,500 yielding a profit of £327,500.

Revenues were fractionally higher at £753,800, meaning that turnover increased by just over £4,000 in the year. Much of the income arises from long-term contracts that generate recurring revenues, with this core income supplemented by a number of one-off projects ranging from assignments of one day's duration through to more complex projects.

A part-time member of the fee-earning staff retired during the year and was not replaced. Another employee reduced his working week in preparation for retirement. Some of the work previously carried out by these two employees was outsourced and some was undertaken by remaining staff. This contributed to higher profits, as did a reduced management charge from parent company PHSC plc. The reduction was a consequence of larger contributions to the parent company from its other subsidiaries.

Parent company PHSC plc has a policy of subsidiaries not cross-charging for work carried out on behalf of sister companies. PHSCL is the largest net provider of consultancy and training services to clients of other members of the PHSC plc group.

The company was assessed for continued accreditation to three schemes; Investors in People, Constructionline, and ISO 9001 Quality Systems. All three assessments led to renewal of the company's approved status.

QCS International Limited (QCS)

- 2015: sales of £526,800 yielding a profit of £148,100.
- 2014: sales of £516,200 yielding a profit of £161,800.

Turnover for the year increased by 2% to £526,800 reflecting a consolidation of the considerable increase achieved the previous year. Profit before taxation decreased by 8% to £148,100 resulting from the additional costs relating to subcontractors, services of another group consultant and higher printing costs to cover the demand for training.

QCS has retained 80% of its outsource clients and continues to see a steady growth of new clients to the consultancy portfolio. The latter has grown 6% in the period but there has been a reduction in the proportion relating to medical device manufacture consultancy which enjoys higher margins, hence the disproportionate impact on gross profit. Progress is being made on securing further work in this sector. The financial year ended with the introduction of new health and safety services aimed primarily at offering long-term embedded services to a new client base. Marketing of this new service began at the start of the new financial year.

STRATEGIC REPORT *(continued)*
for the year ended 31 March 2015

QCS continues to increase income from publicly available training courses. In-house training revenues exceeded budget expectations and marketing initiatives have been put in place to ensure that growth accelerates in this part of the business in the coming year.

In 2015/16 there will be significant changes to the main quality and environmental standards for which QCS offers training and consultancy services. This presents a growth opportunity, whereby QCS can promote its ability to support those companies who wish to prepare for the revised standards. In addition, greater demand is expected for health and safety services with the introduction of the new international standard ISO45001. QCS remains well placed within the market place to take advantage of these changes with both existing and new clients seeking assistance to ensure compliance.

After a six month transition period, on 1 January 2015 Rosalynne Shields retired as Managing Director and was replaced by Ian Phillips, a former QCS consultant. Rosalynne Shields is now retained on a part time basis to provide advice to companies within the PHSC plc group and thus remains available to QCS in an advisory capacity.

Quality Leisure Management Limited (QLM)

- 2015: sales of £533,900 resulting in a profit of £123,800.
- 2014: sales of £463,500 resulting in a loss of £4,500.

The year ended 31 March 2015 saw QLM turn a loss of £4,500 into a profit of £123,800. This was the result of a focus on developing the company's core consultancy business and the introduction of new product lines. The cost cutting measures implemented during 2013/14, including relocation of the office premises also had a beneficial effect on the profitability of the business.

Turnover for the year ended 31 March 2015 increased by 15% to £533,900. Health and safety income exceeded expectation predominantly due to strong retained client renewals and a steady growth in audits. Income from quality management was better than anticipated due to the winning of new integrated management system (IMS) projects. The new QLM IMS encapsulates all of the organisation's business processes under one umbrella and documents them using the 'process approach'. This new approach shows how processes and procedures link together and details the inter-relationship between them, removing duplication of work activities across the various functions of the business. The documented system is bespoke to the organisation. Sport Aberdeen and Brio Leisure are two such organisations that have structured their IMS in line with the new approach and have already started to see tangible benefits.

The LeisureShield system, developed by Real Time Leisure has been designed and tested specifically in leisure to digitise the normally paper based health and safety inspections of areas and equipment. It records the location of the equipment being inspected, identifies staff, schedules inspections, tracks faults through to completion and reports the findings. In addition, QLM Leisuresafe is integrated into the system, allowing users to 'self-assess' health and safety systems and procedures against the QLM Leisuresafe assessment model. This self-assessment can then be externally validated. Sales from the new Leisureshield product have grown more slowly than anticipated but new marketing initiatives to boost this income stream are planned in 2015/16.

A number of new publications are due to be launched by the end of 2015 through CIMSPA. The publications will include a review, refresh and update of existing publications and three new industry specific guides available to members throughout the Institute.

A new business relationship with Poseidon Technologies, further work with Leisureshield and development of core business products and services will form a key part of the 2015/16 business strategy. Poseidon is a computer vision surveillance system that recognises texture, volume and movement within a pool. Comprised of an advanced overhead and/or underwater camera network that continually surveys the pool and a specialised software system that analyses in real-time, the trajectories of swimmers, the system can alert lifeguards in the first seconds of a potential accident to the exact location of the swimmer in danger.

Originating in France, the Poseidon system has been installed in over 250 pools across the world. So far the registered activations have led directly to 30 lives being saved. Two of these were in the UK. The Poseidon system is an excellent product and QLM are acting as their UK agents to assist with its development.

After a six month transition period, on 1 June 2015 Peter Mills retired as Managing Director and was replaced by Leigh Simmonds, a former QLM Principal Consultant. Peter Mills will remain available to QLM in an advisory capacity at least until the end of 2015.

RSA Environmental Health Limited (RSA)

- 2015: sales of £421,900 yielding a profit of £34,900.
- 2014: sales of £499,400 yielding a profit of £55,900.

Revenue and profit fell year on year, as the company continues its transition away from the provision of low-margin services to the public sector.

The business continues to focus on supporting schools, both in the state and independent sectors, with the management of health and safety. The SafetyMARK service remains the core offering and the number of educational establishments signed up to the programme now stands at approximately 160. The halo effect of SafetyMARK means that general safety consultancy and training services are regularly upsold and, as the number of contracted schools increases, the captive market broadens and presents more opportunities. Moving forward, much focus has been placed upon promoting services that can be delivered during the school holidays, as these tend to be quiet for a business that is so focussed on school support. In 2015/16, particular emphasis has been placed upon undertaking fire risk assessments and this has proved to be a successful strategy. The intention is to continue this focus through the academic summer holidays to help avoid a traditional dip in revenue during this period.

Developments within the London Borough of Redbridge led to SafetyMARK being offered as an alternative safety support service to the one that had previously been provided by the local authority. This has led to 15 schools in the Borough joining the scheme, with many more in the pipeline. This provides a regional cluster which allows public training courses to be offered to all schools in the area. Such courses run at good profit margins if they prove popular, as they have done so far. In the same vein, the school-specific training courses designed by RSA and accredited by the Institution of Occupational Safety and Health (IOSH), continued to be popular across the country and particularly when run on behalf of the National Association of School Business Management.

The success of SafetyMARK means that new enquiries from prospective clients are strong and new business is gained without the need for an aggressive marketing strategy. The key will now be to ensure that probability is maximised by using the economies of scale afforded by a larger client base, as well as ensuring that costs are well controlled and standard fees are reviewed, where appropriate.

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.

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.

STRATEGIC REPORT *(continued)*

for the year ended 31 March 2015

Personnel

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

Geographical

The Group offers a nationwide service but a number of organisations see benefit in using consultancies that are local to them. The acquisitions made, 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 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.

In closing I would like to extend thanks to all our shareholders for their continued support, and to everyone employed across the Group for the hard work and effort that has led to another year of successful performance.

On behalf of the board

Stephen King
Group Chief Executive

31 July 2015

REPORT OF THE DIRECTORS

for the year ended 31 March 2015

The directors present their report with the audited financial statements of PHSC plc company and Group for the year ended 31 March 2015.

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 £190,295 was paid during the year ended 31 March 2015 (2014: £159,095). The board is proposing a final dividend of 1.5p per ordinary share to be paid on 30 September 2015 to shareholders on the register as at 21 August 2015.

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 24 July 2015, 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
James Faulkner	455,000	3.59
Downing LLP held via Downing ONE VCT	441,509	3.48

ANNUAL GENERAL MEETING

This year's annual general meeting will be held at 10.00am on Monday 7 September 2015 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 55 to 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)

Under the company's articles of association, Stephen King retires by rotation and offers himself for re-election.

Appointment of auditor (Resolution 4)

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

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

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 6 December 2016 to allot securities up to an aggregate nominal amount of £418,649.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 6 December 2016 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 24 July 2015. 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 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2015

The directors are responsible for preparing the strategic report, 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 strategic report and the report of the directors and other information included in the annual report and financial statements is prepared in accordance with applicable law in the UK.

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

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

Going concern basis

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the group strategic review on pages 3 to 9. 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 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 2015

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

LEADERSHIP

The board is made up of four directors, two of whom are executive, Stephen King (group chief executive) and Nicola Coote (deputy group chief executive) and two of whom are independent non-executive, Mike Miller and Graham Webb MBE. Stephen 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. Mike Miller has served nine years on the board and Graham Webb has served eleven years. The board is of the view that Graham 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 Mike Miller (chairman) and Graham 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 2015

The remuneration committee comprises Graham Webb (chairman) and Mike 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 31.3.15						Year ended 31.3.14
	Short-term employee benefits				*Post-employment benefits*		
	Salary	**Bonus**	**Waiver**	**Benefits**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	**£**	£
S A King	82,700	5,183	(9,020)	2,331	3,684	84,878	75,437
N C Coote	64,050	5,183	(1,000)	6,637	3,203	78,073	76,116

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 31.3.15	Year ended 31.3.14
M J L Miller	£13,000	£11,500
G N Webb	£13,000	£12,500

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. Stephen 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 2015

Crowe Clark Whitehill™

We have audited the financial statements of PHSC plc for the year ended 31 March 2015 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, the parent statement of financial position, the parent cash flow statement, parent statement of changes in equity and related notes numbered 1 to 27. 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 2015 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.

Darren Rigden *(Senior Statutory Auditor)*
for and on behalf of Crowe Clark Whitehill LLP
10 Palace Avenue, Maidstone, Kent ME15 6NF

31 July 2015

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	Note	31.3.15 £	31.3.14 £
Non-Current Assets			
Property, plant and equipment	5	**689,595**	695,662
Goodwill	6	**4,579,976**	4,609,206
Deferred tax asset	14	**–**	53
		5,269,571	5,304,921
Current Assets			
Inventories	8	**215,591**	154,270
Trade and other receivables	7	**1,979,918**	1,935,280
Cash and cash equivalents	9	**462,392**	712,397
		2,657,901	2,801,947
Total Assets		**7,927,472**	8,106,868
Current Liabilities			
Trade and other payables	11	**1,155,824**	1,134,645
Financial liabilities	12	**–**	6,498
Current corporation tax payable		**105,245**	127,474
Contingent consideration	13	**–**	330,000
		1,261,069	1,598,617
Non-Current Liabilities			
Deferred tax liabilities	14	**67,537**	67,817
		67,537	67,817
Total Liabilities		**1,328,606**	1,666,434
Net Assets		**6,598,866**	6,440,434
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,268,634**	1,268,634
Share premium account	10	**1,831,194**	1,831,194
Capital redemption reserve		**143,628**	143,628
Retained earnings		**3,355,410**	3,196,978
		6,598,866	6,440,434

The financial statements were approved and authorised for issue by the board of directors on 31 July 2015, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 21 to 41 form part of these financial statements

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2015

	Note	31.3.15 £	31.3.14 £
Continuing operations:			
Revenue		**7,730,900**	7,594,281
Cost of sales	16	**(4,226,206)**	(4,356,092)
Gross profit		**3,504,694**	3,238,189
Administrative expenses	16	**(2,738,562)**	(2,583,170)
Administrative expenses – exceptional	26	**(262,758)**	–
Other income	15	**–**	1,096
Profit from operations		**503,374**	656,115
Finance income	19	**750**	259
Finance costs	19	**(796)**	(1,524)
Profit before taxation		**503,328**	654,850
Corporation tax expense	20	**(154,601)**	(160,771)
Profit for the year after tax attributable to owners of the parent		**348,727**	494,079
Other comprehensive income		**–**	–
Total comprehensive income attributable to owners of the parent		**348,727**	494,079
Basic and Diluted Earnings per Share from continuing operations	21	**2.75p**	4.24p

Accounting policies and notes on pages 21 to 41 form part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
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
Balance at 1 April 2014	1,268,634	1,831,194	143,628	3,196,978	6,440,434
Profit for year attributable to equity holders	–	–	–	348,727	348,727
Dividends	–	–	–	(190,295)	(190,295)
Balance at 31 March 2015	1,268,634	1,831,194	143,628	3,355,410	6,598,866

Accounting policies and notes on pages 21 to 41 form part of these financial statements

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	Note	31.3.15 £	31.3.14 £
Cash flows from operating activities:			
Cash generated from operations	I	**739,423**	856,333
Interest paid		**(796)**	(1,524)
Tax paid		**(177,057)**	(211,248)
Net cash generated from operating activities		**561,570**	643,561
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(58,952)**	(30,933)
Payment of contingent consideration on acquisitions		**(563,528)**	(441,148)
Disposal of fixed assets		**450**	–
Interest received		**750**	259
Net cash used in investing activities		**(621,280)**	(471,822)
Cash flows (used by)/from financing activities			
Proceeds from placement of shares		**–**	483,665
Dividends paid to Group shareholders		**(190,295)**	(159,095)
Net cash (used by)/from financing activities		**(190,295)**	324,570
Net (decrease)/increase in cash and cash equivalents		**(250,005)**	496,309
Cash and cash equivalents at beginning of year		**712,397**	216,088
Cash and cash equivalents at end of year		**462,392**	712,397

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	31.3.15 £	31.3.14 £
I. CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	**503,374**	656,115
Depreciation charge	**52,249**	48,533
Goodwill impairment	**29,230**	27,871
Fair value movement in contingent consideration	**233,528**	–
Loss on sale of fixed assets	**12,320**	–
Increase in inventories	**(61,321)**	(1,399)
Decrease/(increase) in trade and other receivables	**(44,638)**	102,444
Increase in trade and other payables	**21,179**	35,967
Decrease in financial liabilities	**(6,498)**	(13,198)
Cash generated from operations	**739,423**	856,333

ACCOUNTING POLICIES

for the year ended 31 March 2015

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate 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 directors have considered the standards and interpretations which have not 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) and only IFRS 15 "Revenue from Contracts with Customers" was considered to be relevant. The Directors are still assessing whether the application of IFRS 15 once effective will have a material impact on the results of the Company. Adoption of the other standards and interpretations referred to above is not expected to have a material impact on the results of the Company. Application of these standards may result in some changes in presentation of information within the Company's financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2015.

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% on cost
Improvements to property	–	shorter of the lease term and 10% on cost
Fixtures and equipment	–	25% on reducing balance
Motor vehicles	–	25% on reducing balance

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

Operating lease commitments

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

Intangible assets

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

Impairment of intangible assets and property, plant and equipment

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. The value of inventory is calculated on purchase cost on a first-in, first-out basis.

Cash and cash equivalents

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

Financial instruments

Provision is made for diminution in value where appropriate.

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

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

Financial liabilities

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

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

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

Taxation

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

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

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

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity, 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 consists of 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.

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, training, 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. In addition one of the Group subsidiaries, B to B, provides innovative retail security solutions including tagging, labelling and CCTV.

Consultancy and inspection revenue is recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Training revenue is recognised on the date the training is carried out.

The sale of products such as security tagging, labelling and CCTV through B to B are recognised when the products are transferred to the customer.

Revenue relating to installations of security equipment such as CCTV is recognised at the point it is installed.

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 date of the group statement of financial position 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.

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 cash flow 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 2015				
Trade and other payables	1,155,824	–	–	–
HP liabilities	–	–	–	–
At 31 March 2014				
Trade and other payables	1,134,645	–	–	–
HP liabilities	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) Provisions for warranties

The B to B statement of financial position includes a £32,300 provision in respect of potential repairs and replacements under warranty. The assumed risk is expressed in percentage terms over the term of the two year warranty. A further provision of £14,900 relates to work that may be required under retention clauses.

(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 over a six year horizon assuming a maximum growth rate of 2.5% in any one year. 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 2015 has been valued in accordance with IAS 18 "Revenue". It has been recognised in line with contract activity and reflects the right to consideration as the contract activity progresses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

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 8.

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 2015									
Total revenue (all external)	–	754	422	2,694	196	534	527	2,604	7,731
Depreciation	7	12	1	15	–	4	1	12	52
Subsidiary operating profit/(loss)	(787)	332	35	276	17	124	148	358	503
Net interest	1	–	–	–	–	–	–	(1)	–
Taxation	–	(47)	(2)	(23)	(1)	(18)	(9)	(54)	(154)
Deferred taxation	1	2	–	–	–	1	–	(4)	–
Group profit for year									349
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

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 2015									
Non-current asset additions	–	6	62	17	–	5	1	28	59
Non-current assets	5,710	342	420	217	1	12	4	35	6,741
Current assets	*(821)	469	176	1,160	110	246	303	1,014	2,657
Total assets	4,889	811	596	1,377	111	258	307	1,049	9,398
Current liabilities	*106	95	82	291	106	154	75	352	1,261
Non-current liabilities	2	39	–	14	–	2	1	4	62
Total liabilities	108	134	82	305	106	156	76	356	1,323
Net assets	4,781	677	514	1,072	5	102	231	693	8,075
Consolidation adjustments:									
Non-current assets i									(1,471)
Current liabilities ii									–
Non-current liabilities iii									(5)
Net assets									6,599
Year ended 31 March 2014									
Non-current asset additions	10	2	–	9	1	7	2	–	31
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

(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 the overdraft in current liabilities. In PHSC plc group accounts and segmental analysis, the overdraft is reflected as part of group facility shown under current assets.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

4. AUDITOR REMUNERATION

	31.3.15 £	31.3.14 £
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**3,030**	4,100
(Over)/under accrual in previous years	**(1,800)**	5,486
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	**24,300**	21,900
Total audit	**25,530**	31,486
Tax		
Tax compliance services	**8,770**	8,600
Tax advisory services	**4,400**	4,300
Total tax	**13,170**	12,900
Total	**38,700**	44,386

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Totals £
COST					
At 1 April 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
Additions	–	–	44,439	14,513	58,952
Disposals	–	–	(132,169)	–	(132,169)
At 31 March 2015	712,000	32,299	270,666	39,643	1,054,608
DEPRECIATION					
At 1 April 2013	108,502	19,186	253,766	2,176	383,630
Charge for the 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
Charge for year	14,240	2,398	27,679	7,932	52,249
Disposals	–	–	(119,399)	–	(119,399)
At 31 March 2015	136,982	23,982	188,203	15,846	365,013
NET BOOK VALUE					
At 31 March 2015	575,018	8,317	82,463	23,797	689,595
At 31 March 2014	589,258	10,715	78,473	17,216	695,662
At 1 April 2013	603,498	13,113	73,697	22,954	713,262

Depreciation expenses of £52,249 (2014: £48,533) are included in administrative expenses in the statement of comprehensive income.

There were no motor vehicles subject to finance lease at the year end (2014: net book value of £11,856).

Lease rentals amounting to £137,291 (2014: £132,999), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

6. GOODWILL

	Goodwill £
COST	
At 31 March 2015 and 31 March 2014	4,981,933
AMORTISATION	
At 1 April 2013	344,856
Impairment	27,871
At 31 March 2014	372,727
Impairment	29,230
At 31 March 2015	401,957
NET BOOK VALUE	
At 31 March 2015	4,579,976
At 31 March 2014	4,609,206
At 1 April 2013	4,637,077

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:

	31.3.15 £	31.3.14 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	**594,952**	594,952
RSA Environmental Health Limited	**581,482**	581,482
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	4,559,814
At company level	**20,162**	49,392
Total goodwill for Group	**4,579,976**	4,609,206

When considering impairment, the directors have taken the cash flow forecast prepared over a six-year horizon as this period is used by the board to assess potential acquisitions. Adoption of a growth rate of a maximum of 2.5% in any one year is deemed prudent in the current economic environment.

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 7.3 based on quoted p/e ratios, and;
- have been discounted using the Group's weighted average cost of capital (WACC) which has been calculated to be 8.48% using the Black-Scholes model.

The annual impairment review suggested that no impairment of goodwill was required at group level. At company level, a goodwill balance of £29,230, relating to the purchase of a number of sales contracts serviced by RSA, was impaired to reduce its net book value to nil in light of the contracts now having expired.

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 £	Proceed multiple at which impairment required	Annual cash flow at which impairment required £	WACC at which impairment required %
Personnel Health & Safety Consultants Limited and dormant subsidiaries	2,365,663	(3.3)	72,837	73
RSA Environmental Health Limited	58,327	6.1	71,188	10
Adamson's Laboratory Services Limited	529,812	3.3	151,089	15
Inspection Services (UK) Limited	–	7.3	25,123	8
Quality Leisure Management Limited	331,915	2.5	71,355	17
QCS International Limited	1,003,838	(2.1)	51,530	33
B to B Links Limited	362,005	3.6	115,516	31

7. TRADE AND OTHER RECEIVABLES

	31.3.15 £	31.3.14 £
Trade receivables	**1,688,973**	1,559,116
Less provision for impairment of trade receivables	**(21,442)**	(24,416)
Trade receivables – net	**1,667,531**	1,534,700
Other debtors, prepayments and accrued income	**312,387**	400,580
Total	**1,979,918**	1,935,280

7. **TRADE AND OTHER RECEIVABLES – continued**

Revenues from one customer within the B to B business segment totalled £1,634,765 (2014: £1,437,208).

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

At 31 March 2015 there were £20,841 impaired trade receivables (2014: £24,416).

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

	31.3.15 £	31.3.14 £
Up to 3 months	**502,099**	661,025
3 – 6 months	**120,532**	70,691
Over 6 months	**40,282**	36,087
	662,913	**767,803**

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:

	31.3.15 £	31.3.14 £
At 1 April	**24,416**	9,641
Provision for receivables impairment	**12,571**	38,915
Receivables written off during the year as uncollectible	**(15,545)**	(24,140)
At 31 March	**21,442**	24,416

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 2015

8. INVENTORIES

	31.3.15 £	31.3.14 £
Stocks	**215,591**	154,270

A total of £nil inventory was written down in the current year (2014: £nil). The value of inventory consumed and recognised as an expense was £1,127,724 (2014: £1,176,755).

9. CASH AND CASH EQUIVALENTS

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

	31.3.15 £	31.3.14 £
Cash at bank and in hand	**462,392**	712,397

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 (Nominal value of 1p)	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 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 and 2015	12,686,353	1,268,634	1,831,194	3,099,828

11. TRADE AND OTHER PAYABLES

	31.3.15 £	31.3.14 £
Trade payables	**341,231**	354,332
Social security and other taxes	**325,575**	349,730
Other payables	**76,401**	68,533
Accruals and deferred income	**412,617**	362,050
Total	**1,155,824**	1,134,645

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

12. FINANCIAL LIABILITIES

	31.3.15	31.3.14
	£	£
Current		
Hire purchase agreements	–	6,498
Non-current		
Hire purchase agreements	–	–

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. CONTINGENT CONSIDERATION

	Current	**Non-current**	**Total**
	£	**£**	**£**
At 1 April 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
Paid in year	(330,000)	–	(330,000)
At 31 March 2015	–	–	–

On the second anniversary of the purchase of QCS a final payment of £80,000 was due, subject to adjustment up or down according to performance against targets. As a result of the positive performance of the company in the two years post acquisition an additional amount of £25,283 was due resulting in a total payment of £105,283.

Similarly on the second anniversary of the purchase of B to B, a final cash payment of between £120,000 and £800,000 fell due, subject to performance over the two years post completion. A provision of £250,000 was made in the accounts, but the actual payment was £458,245 due to a strong trading finish to the two year earn out period.

The statement of cash flows shows the total of £563,528 as funds used in investing activities. The company's statement of comprehensive income treats the £25,283 and £208,245 additional payments for QCS and B to B respectively as exceptional expenses.

14. DEFERRED TAX

Deferred tax asset	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2013	–	1,161	1,581	2,742
Credited to income statement	–	(1,161)	(1,528)	(2,689)
At 31 March 2014	–	–	53	53
Credited to income statement	–	–	(53)	(53)
At 31 March 2015	–	–	–	–

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 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
(Credited)/debited to income statement	(2,957)	2,677	–	(280)
At 31 March 2015	46,620	15,760	5,157	67,537

Deferred tax has been provided on the revalued fixed assets at 20% (2014: 21%). At present it is not envisaged that any tax will become payable in the foreseeable future.

15. OTHER INCOME

	31.3.15 £	31.3.14 £
Rent received	–	1,050
Miscellaneous income	–	46
	–	1,096

16. EXPENSES BY NATURE

	31.3.15 £	31.3.14 £
Cost of sales	**2,344,203**	2,581,000
Staff related costs	**3,205,358**	3,035,758
Premises costs	**129,124**	94,958
Professional fees	**248,611**	231,931
Other expenses	**1,037,472**	995,615
Total cost of sales and administrative expenses	**6,964,768**	6,939,262

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.15 £	31.3.14 £
Wages and salaries	**2,782,351**	2,685,678
Social security costs	**277,093**	266,268
Other pension costs	**35,831**	37,654
	3,095,275	**2,989,600**

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

	31.3.15	31.3.14
Directors	**10**	10
Consultants	**51**	45
Administrative	**29**	29
Total	**90**	84

The aggregate compensation for key management, being the members of the board of PHSC plc and the directors of the subsidiary companies, was as follows:

	31.3.15	31.3.14
Short-term employee benefits	**531,353**	510,161
Post-employment benefits	**40,600**	39,492
Total	**571,953**	549,653

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.15 £	31.3.14 £
Emoluments	**182,064**	169,170
Pension contributions to money purchase schemes	**6,887**	6,383
	188,951	175,553

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

	Year ended 31.3.15 Short term employee benefits				Post employment benefits		Year ended 31.3.14
	Salary £	**Bonus** £	**Waiver** £	**Benefits** £	**Pension** £	**Total** £	Total £
S A King	82,700	5,183	(9,020)	2,331	3,684	**84,878**	75,437
N C Coote	64,050	5,183	(1,000)	6,637	3,203	**78,073**	76,116

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 31.3.15 £	Year ended 31.3.14 £
M J L Miller	**13,000**	11,500
G N Webb	**13,000**	12,500

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

19. FINANCE INCOME AND COSTS

	31.3.15 £	31.3.14 £
Finance income		
Interest received	**750**	259
Interest expense		
Bank interest	**9**	–
HP interest	**787**	1,524
	796	1,524
Net finance income	**46**	1,265

20. TAXATION

Analysis of tax charge in year

	31.3.15 £	31.3.14 £
Current tax:		
UK corporation tax on profits in the year	**155,297**	157,469
Adjustments in respect of previous year	**(469)**	6,791
Total current tax	**154,828**	164,260
Deferred tax on origination and reversal of timing differences (provided at 20%)	**(227)**	(3,489)
Taxation	**154,601**	160,771

Factors affecting tax charge for year

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 21% (2014: 23%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	31.3.15 £	31.3.14 £
Profit on ordinary activities before tax	**503,328**	654,850
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	**105,699**	150,616
Effects of:		
Expenses not deductible for tax purposes	**53,791**	8,816
Other permanent differences	**100**	1,750
Capital allowances in excess of depreciation	**(3,291)**	–
Group relief claimed before payment	**–**	(1,877)
Marginal relief	**(1,002)**	(1,836)
Adjustments in respect of prior periods	**(469)**	6,791
Current tax charge	**154,828**	164,260

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

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.

	31.3.15	31.3.14
Profit attributable to equity holders of the Group (£)	**348,727**	494,079
Weighted average number of ordinary shares in issue	**12,686,353**	11,643,504
Basic earnings per share (pence per share)	**2.75p**	4.24p

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

22. DIVIDENDS

The dividends paid in respect of the years ended 31 March 2014 and 2013 were £190,295 and £209,223 respectively, For both the years ended 31 March 2013 and 2014, the dividend was 1.5p per ordinary share. A dividend in respect of the year ended 31 March 2015 of 1.5p per ordinary share amounting to a total dividend of £190,295 is to be proposed at the annual general meeting on 7 September 2015. 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:

	31.3.15		31.3.14	
	Land and buildings £	**Motor vehicles £**	Land and buildings £	Motor vehicles £
Within one year	**15,500**	**78,466**	17,492	76,362
Between two and five years	**33,667**	**61,185**	30,663	60,055
Total	**49,167**	**139,651**	48,155	136,417

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:

	31.3.15 £	31.3.14 £
Adamson's Laboratory Services Limited	**169,200**	164,640
B to B Links Limited	**82,200**	12,000
Inspection Services (UK) Limited	**9,000**	6,000
Personnel Health & Safety Consultants Limited	**115,800**	180,000
QCS International Limited	**21,600**	10,800
Quality Leisure Management Limited	**40,200**	48,000
RSA Environmental Health Limited	**22,200**	12,000
Total	**460,200**	433,440

24. RELATED PARTY DISCLOSURES – continued

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

	31.3.15 £	31.3.14 £
Amounts owed by group undertakings:		
Adamson's Laboratory Services Limited	–	50,289
B to B Links Limited	–	3,698
In House the Hygiene Company Limited*	**469,304**	469,304
Inspection Services (UK) Limited	–	209
Personnel Health & Safety Consultants Limited	**336**	1,066
QCS International Limited	**799**	-
Quality Leisure Management Limited	**1,864**	-
	472,303	524,566
Amounts owed to group undertakings:		
RSA Environmental Health Limited	–	414
	–	414
PHSC plc dividends were paid to directors as follows:		
S A King	**46,546**	46,546
N C Coote	**46,265**	46,265
G N Webb MBE	**300**	300
Total	**93,111**	93,111

* The above balance is effectively owed from RSA as there are equal debtor and creditor balances in the financial statements of In House the Hygiene Company Limited and RSA respectively.

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% (2014: 25.25%) of the issued share capital of PHSC plc.

26. EXCEPTIONAL COSTS

Exceptional costs of £262,758 (2014: nil) relate to two items;

(a) A goodwill balance of £29,230, relating to the purchase of a number of sales contracts serviced by RSA, was impaired to reduce its net book value to nil in light of the contracts now having expired (note 6).

(b) The additional sums of £25,283 and £208,245 paid for the acquisition of QCS and B to B respectively (note 13).

27. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.15 £	31.3.14 £
Financial assets at amortised cost		
Trade and other receivables	**1,979,918**	1,935,280
Cash and cash equivalents	**462,392**	712,397
	2,442,310	2,647,677
Financial liabilities at amortised cost		
Trade and other receivables	**1,155,824**	1,134,645
HP liabilities	**–**	6,498
	1,155,824	1,141,143
Due within 1 year	**1,155,824**	1,141,143
Due in over 1 year	**–**	-
	1,155,824	1,141,143

Full details of the overdraft facility can be found in note 14.

	31.3.15 £	31.3.14 £
Financial liabilities at fair value through profit and loss		
Contingent consideration	**–**	330,000
	–	330,000

The main risk arising from the Group's financial instruments is liquidity risk. The Group 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 Group are held in sterling and all transactions are in sterling. The Group is not therefore exposed to currency risk.

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

Company number: 4121793

PHSC plc

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

 Registered number: 4121793

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2015

	Note	31.3.15 £	31.3.14 £
Non-Current Assets			
Goodwill	9	–	29,230
Property, plant and equipment	10	**116,442**	123,572
Investments	11	**5,593,394**	5,593,394
		5,709,836	5,746,196
Current Assets			
Trade and other receivables	12	**499,534**	546,997
Cash and cash equivalents		–	-
		499,534	546,997
Total Assets		**6,209,370**	6,293,193
Current Liabilities			
Trade and other payables	13	**106,684**	54,823
Financial liabilities	14	**848,814**	583,299
Current corporation tax		–	588
Contingent consideration	15	–	330,000
		955,498	968,710
Non-Current Liabilities			
Deferred taxation	16	**2,821**	3,711
		2,821	3,711
Total Liabilities		**958,319**	972,421
Net Assets		**5,251,051**	5,320,772
Capital and reserves attributable to equity holders of the Group			
Called up share capital	17	**1,268,634**	1,268,634
Share premium account		**1,831,194**	1,831,194
Capital redemption reserve		**143,628**	143,628
Retained earnings		**2,007,595**	2,077,316
		5,251,051	5,320,772

Approved and authorised for issue by the board on 31 July 2015 and signed on its behalf by:

S A King *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2015

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
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**
Balance at 1 April 2014	**1,268,634**	**1,831,194**	**143,628**	**2,077,316**	**5,320,772**
Loss for year attributable to equity holders	–	–	–	(324,426)	(324,426)
Dividends paid	–	–	–	(190,295)	(190,295)
Dividends received	–	–	–	445,000	445,000
Balance at 31 March 2015	**1,268,634**	**1,831,194**	**143,628**	**2,007,595**	**5,251,051**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	Note	31.3.15 £	31.3.14 £
Cash flows from/(used by) operating activities:			
Cash generated from/(used by) operations	I	**42,767**	(8,766)
Tax paid		**(200)**	(3,988)
Interest paid		**(9)**	(34)
Net cash generated from/(used by) operating activities		**42,558**	(12,788)
Cash flows used in investing activities			
Payment of contingent consideration on acquisitions		**(563,528)**	(441,148)
Interest received		**750**	150
Purchase of property, plant and equipment		**–**	(9,599)
Net cash used in investing activities		**(562,778)**	(450,597)
Cash flows from financing activities			
Proceeds from placement of shares		**–**	483,665
Dividends from subsidiary companies		**445,000**	400,000
Dividends paid to Group shareholders		**(190,295)**	(159,095)
Net cash from financing activities		**254,705**	724,570
Net (decrease)/increase in financial liabilities		**(265,515)**	261,185
Cash and cash equivalents at beginning of year		**(583,299)**	(844,484)
Financial liabilities at end of year		**(848,814)**	(583,299)

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2015

	31.3.15 £	31.3.14 £
I. CASH (USED BY)/GENERATED FROM OPERATIONS		
(Loss)/profit before taxation and interest	**(326,445)**	2,698
Depreciation charge	**7,130**	7,895
Impairment of goodwill	**29,230**	–
Fair value movement in contingent consideration	**233,528**	–
Decrease/(increase) in trade and other receivables	**47,463**	(25,703)
Increase in trade and other payables	**51,861**	6,344
Cash generated from/(used by) operations	**42,767**	(8,766)

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 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 (2015: £445,000, 2014: £400,000) was £324,426 (2014: £1,537 loss). There were no recognised gains and losses for 2015 or 2014 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 £324,426 (2014: loss £1,537) for the year ended 31 March 2015 and had net assets of £5,251,051 at the balance sheet date (2014: £5,320,772).

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 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 directors have considered the standards and interpretations which have not 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) and only IFRS 15 "Revenue from Contracts with Customers" was considered to be relevant. The directors are still assessing whether the application of IFRS 15 once effective will have a material impact on the results of the Company. Adoption of the other standards and interpretations referred to above is not expected to have a material impact on the results of the Company. Application of these standards may result in some changes in presentation of information within 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.

2. ACCOUNTING POLICIES – continued

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

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 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.

2. ACCOUNTING POLICIES – continued

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. 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:

	31.3.15	31.3.14
	£	£
Depreciation – owned assets	**7,130**	7,895

5. DIRECTORS' REMUNERATION

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

6. STAFF COSTS

	31.3.15	31.3.14
The average monthly number of employees during the year was as follows:		
Directors	**4**	4
Consultants	**2**	–
Administration	**3**	3
	9	7
	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**265,329**	243,230
Social security costs	**26,113**	24,534
Other pension costs	**8,637**	8,141
	300,079	275,905

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.

8. FINANCE INCOME AND COSTS

	31.3.15 £	31.3.14 £
Finance income		
Interest received	**750**	150
Interest expense		
Bank interest	**(9)**	(34)
Net finance income	**741**	116

9. GOODWILL

	Goodwill £
COST	
At 1 April 2014	45,739
Disposal	(45,739)
At 31 March 2015	–
AMORTISATION	
At 1 April 2014	16,509
Disposal	(16,509)
At 31 March 2015	–
NET BOOK VALUE	
At 31 March 2015	–
At 31 March 2014	29,230

The goodwill in relation to a group of contracts purchased a number of years ago was written off during the year as the value of the contracts to the company are now considered negligible.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2014	122,000	23,978	13,103	159,081
Additions	–	–	–	–
At 31 March 2015	122,000	23,978	13,103	159,081
DEPRECIATION				
At 1 April 2014	18,310	13,266	3,933	35,509
Charge for the year	2,440	2,398	2,292	7,130
At 31 March 2015	20,750	15,664	6,225	42,639
NET BOOK VALUE				
At 31 March 2015	101,250	8,314	6,878	116,442
At 31 March 2014	103,690	10,712	9,170	123,572

11. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.15 £	31.3.14 £
At 31 March 2014 and 2015	**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
B to B Links Limited	England	100%	Retail security

12. TRADE AND OTHER RECEIVABLES

	31.3.15 £	31.3.14 £
Amount owed by subsidiary undertakings	**472,303**	524,566
Other receivables, prepayments and accrued income	**27,231**	22,431
	499,534	546,997

13. TRADE AND OTHER PAYABLES

	31.3.15 £	31.3.14 £
Trade payables	**4,006**	500
Amount owed to subsidiary undertakings	**–**	414
Social security and other taxes	**26,110**	24,724
Other payables	**6,810**	7,505
Accruals and deferred income	**69,758**	21,680
	106,684	54,823

14. FINANCIAL LIABILITIES

	31.3.15 £	31.3.14 £
Current		
Bank overdraft	**848,814**	583,299

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 2015, PHSC plc's company balance was £848,814 overdrawn (2014: £583,299 overdrawn) within the Group's cash at bank and in hand figure of £462,392 (2014: £712,397). The overdraft facility is reviewed subject to requirement.

15. CONTINGENT CONSIDERATION

	Current £	Non-current £	Total £
At 1 April 2014	330,000	–	330,000
Paid in year	(330,000)	–	(330,000)
At 31 March 2015	–	–	–

On the second anniversary of the purchase of QCS a final payment of £80,000 was due, subject to adjustment up or down according to performance against targets. As a result of the positive performance of the company in the two years post acquisition an additional amount of £25,283 was due resulting in a total payment of £105,283.

Similarly on the second anniversary of the purchase of B to B, a final cash payment of between £120,000 and £800,000 fell due, subject to performance over the two years post completion. A provision of £250,000 was made in the accounts, but the actual payment was £458,245 due to a very strong trading finish to the two year earn out period.

The statement of cash flows shows the total of £563,528 as funds used in investing activities. The company's statement of comprehensive income treats the £25,283 and £208,245 additional payments for QCS and B to B respectively as exceptional expenses.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2015

16. DEFERRED TAXATION

	31.3.15 £	31.3.14 £
Deferred taxation – accelerated capital allowances	**2,821**	3,711

	Deferred tax £	Deferred tax £
At 1 April 2014	**3,711**	–
Deferred tax (credit)/debit in year	**(890)**	3,711
At 31 March 2015	**2,821**	3,711

17. SHARE CAPITAL

	Number of shares (Nominal value of 1p per share)	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 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 and 2015	12,686,353	1,268,634	1,831,194	3,099,828

18. RELATED PARTY DISCLOSURES

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

	31.3.15 £	31.3.14 £
Management charge from PHSC plc to subsidiary companies	**460,200**	433,440

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

	31.3.15 £	31.3.14 £
Amounts owed by group undertakings		
Adamson's Laboratory Services Limited	–	50,289
B to B Links Limited	–	3,698
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	–	209
Personnel Health & Safety Consultants Limited	**336**	1,066
QCS International Limited	**799**	–
Quality Leisure Management Limited	**1,864**	–
	472,303	524,566
Amounts owed to group undertakings		
RSA Environmental Health Limited	–	414
	–	414

18. RELATED PARTY DISCLOSURES – continued

	31.3.15 £	31.3.14 £
PHSC plc dividends received from subsidiaries as follows:		
Adamson's Laboratory Services Limited	**10,000**	200,000
B to B Links Limited	**200,000**	–
Inspection Services (UK) Limited	**5,000**	10,000
Personnel Health & Safety Consultants Limited	**100,000**	100,000
QCS International Limited	**70,000**	50,000
Quality Leisure Management Limited	**50,000**	40,000
RSA Environmental Health Limited	**10,000**	–
	445,000	400,000
PHSC plc dividends were paid to directors as follows:		
S A King	**46,546**	46,546
N C Coote	**46,265**	46,265
G N Webb MBE	**300**	300
	93,111	93,111

19. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

	31.3.15 £	31.3.14 £
Financial assets at amortised cost		
Trade and other receivables	**499,534**	546,997
	499,534	546,997
Financial liabilities at amortised cost		
Overdraft	**848,814**	583,299
Trade and other payables	**106,684**	54,823
	955,498	638,122
Due within 1 year	**955,498**	638,122
Due in over 1 year	**–**	–
	955,498	638,122

Full details of the overdraft facility can be found in note 14.

Financial liabilities at fair value through profit and loss		
Contingent consideration	**–**	330,000
	–	330,000

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.

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 IAS36 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 forecast prepared over a six-year horizon. Adoption of a maximum growth rate of 2.5% in any one year is deemed prudent in the current economic climate.

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 7.3 per quoted p/e ratios, and;
- have been discounted using the Group's weighted average cost of capital (WACC) which has been calculated to be 8.48% using the Black-Scholes model.

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% (2014: 25.25%) 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 2 of the group accounts.

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of PHSC plc will be held at 10am on Monday 7 September 2015 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolution 6 will be proposed as a special resolution.

1. To receive the annual report and audited accounts for the year ended 31 March 2015.

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

3 To re-elect Stephen King as a director.

4 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.

5. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company or to grant rights to subscribe for, or to convert any security into, shares in the company 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 2016 or on 6 December 2016, 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 shares to be allotted, rights to be granted or securities to be converted after such expiry and notwithstanding such expiry the directors may allot shares, grant rights or convert securities under such offers or agreements.

Special resolution

6. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 5 set out in the notice of this meeting the directors be empowered under section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash; under the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and

   (b) the allotment (otherwise than under sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £253,727

   such power to expire at the conclusion of the annual general meeting of the company in 2016 or, if earlier, on 6 December 2016, 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 2015

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 2015. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

2. Appointment of proxies

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

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

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

3. Appointment of proxy using hard copy proxy form

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

To appoint a proxy using the proxy form, the form must be completed and signed and received by the Company Secretary at 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 1BE
- 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 email to proxies@lorraineyoung.co.uk. 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 7 September 2015

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 Stephen King as a director	☐	☐	☐	☐
4. To reappoint the auditors and authorise the directors to set their fees	☐	☐	☐	☐
5. To authorise the directors to allot shares	☐	☐	☐	☐
6. To disapply pre-emption rights	☐	☐	☐	☐

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.