Annual Report 2016

Adamson's Laboratory Services

Innovative Security Solutions

Health, Safety & Risk Consultants

In House The Hygiene Management Company

Inspection Services (U.K.)

Personnel Health & Safety Consultants

QCS International

QUALITY LEISURE MANAGEMENT

RSA Environmental Health

NATIONAL SAFETY CERTIFICATION SCHEME FOR SCHOOLS

SG Systems (UK)

PHSC plc

PHSC plc

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for the year ended 31 March 2016

PHSC plc

COMPANY INFORMATION

for the year ended 31 March 2016

DIRECTORS:	S A King N C Coote G N Webb MBE L E Young
SECRETARY:	Lorraine Young Company Secretaries Limited
REGISTERED OFFICE & BUSINESS ADDRESS:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
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PHSC plc

STRATEGIC REPORT

for the year ended 31 March 2016

HIGHLIGHTS

- Underlying EBITDA* fell to £0.368m, down from £0.818m
- Group revenue fell to £7.0m compared with £7.7m last year
- Cash reserves of £0.256m at year end compared to £0.462m last year
- Write-down of £0.609m due to impaired goodwill
- Group net assets fell to £6.09m from £6.6m after goodwill impairment
- Loss per share of 3.23p compared with last year's profit per share of 2.75p
- Loss after tax of £414k compared with a profit of £349k last year
- Proposed final dividend held at 1.5p per share

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

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 has traditionally been generated by health and safety businesses. Income streams include asbestos management, the delivery of accredited and bespoke training courses, public transport safety consultancy, and supporting the education sector. The Group also has many contracts in the leisure sector and carries out statutory examination of plant and machinery via insurance brokers or directly for clients. In addition, it provides consultancy and training in quality systems management.

In 2012 the Group extended its offering to include security solutions such as CCTV and tagging systems, mainly in the retail sector. To widen and strengthen the Group's presence in this area, two acquisitions were made in late 2015. One of those businesses, Camerascan CCTV Limited (Camerascan), has been integrated into our B to B Links Limited subsidiary (B to B) as a trading name. It gives B to B the ability to supply CCTV into new markets outside of high street retail. Further commentary on the acquisition is given later in this report.

The larger new addition to the Group's portfolio was SG Systems (UK) Limited (SG), which trades in the same sectors as B to B but has a different client base. The acquisition arrangements provide that this company will stand alone for two years until an earn-out timetable has been completed. Following this, the Group will formally consolidate the businesses of B to B and SG to create a security division. There is already much interchange and overlap in the respective business activities.

In due course the Group will look to form a safety division to run parallel with the security division. This will consist of those remaining legacy businesses able to demonstrate continued potential in what has become an extremely challenging marketplace. This strategy will involve some internal consolidation and possibly divestment or winding down of unprofitable activities. The board has taken advice on the carrying value of these businesses and has taken the decision to impair the goodwill value of Adamson's Laboratory Services Limited (ALS). This has the effect of creating a headline loss for the Group for the financial year, and reduces our net asset value, as explained in greater detail elsewhere in this report. Sitting alongside the new divisional structure as a standalone company will be our QCS International Limited (QCS) subsidiary which operates in the field of quality systems management.

Acquisition payments

Consideration for Camerascan was £125,000 in cash along with the issue of 300,000 ordinary shares of 10p each in PHSC plc. There are no further payments due.

Consideration in relation to the acquisition of SG comprised an initial cash payment of £275,000 along with the issue of 100,000 new ordinary shares of 10p each of PHSC plc. Under the terms of the agreement, a further cash payment of £200,000 falls due on the first anniversary and a final cash payment on the second anniversary. The final payment is in the range of £25,000 to £375,000 and is determined by a formula that relates to performance over the period. The fair value of contingent consideration at the year end was £75,000 and has been included in the accounts as a liability arising in over one year. SG is underperforming due to matters outside of its control and expanded upon later in this report. Should this underperformance not be reversed over the period, the final payment would be limited to £25,000 and this would release £50,000 back to the income statement.

Legal and management costs associated with the two acquisitions are charged against the statement of comprehensive income under accounting rules. These were £50,000 in total.

Net asset value

As at 31 March 2016, the company had consolidated net assets of £6.09 million. There were 13,086,353 ordinary shares in issue at that date which equates to a net asset value per share of 47p. The ordinary shares of the company continue to trade at a discount to the net asset value. A large 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. Given the difficult trading conditions experienced by ALS, and in accordance with requirements of accounting standards, we are making an impairment of around £0.6m in the carrying value of goodwill in respect of ALS. This represents a reduction of approximately 9% in the consolidated net assets of the Group. The board remains comfortable with all other valuations.

Outlook

In our last Annual Report we stated that a high-value contract relating to asbestos consultancy services provided by ALS was concluding. We explained that we did not expect the subsidiary to be able to fully compensate for this lost income. As evidenced by the full year's results and the charge against goodwill carrying value, ALS was indeed unable to win sufficient new work over the period. Current expectations are for this difficult trading position to persist in the asbestos consultancy marketplace. When considering how best to introduce the divisional structure referred to earlier in the report, the Group will evaluate how it should deliver asbestos management services in the future.

The effect of the EU referendum result on the Group will take some time to become apparent. There is a direct impact because our security-related subsidiaries B to B and SG are both routinely importing the electronic products they install and supply. A weaker pound has a detrimental effect on gross margins. Indirect impacts will be those arising from how client confidence at all Group subsidiaries is affected and whether there are any adjustments to UK economic policy. In addition, particularly as far as the safety-related subsidiaries are concerned, there may be changes to existing EU-initiated regulatory requirements that impact on the demand for services. Against this background we believe that the majority of retained clients and those who have given us repeat business over many years will continue to provide a stable source of income.

Our security-related companies each have some exciting prospects for growth, in terms of additional sales of existing products and in areas of technological innovation. Whilst we are confident of securing significant new orders, there can be a long lead time between initial trials of a product and a decision by a national or international chain to make a firm commitment. However, when work is obtained in this way, it can lead to sustained and long-term profitable relationships with high-profile clients. There are a number of such projects at various stages of discussion and we would expect to see some benefits in the current year.

With the exception of stage payments due under the terms of the purchase agreement for SG, there are no other acquisition payments due and the Group is presently not considering any further acquisitions.

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 declined by 9%. This was largely caused by the conclusion of a large contract for asbestos management services.

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

After allowing for exceptional costs, the Group suffered a sizeable fall in EBITDA from £0.818m to £0.368m.

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 increased from 96 at the start of the year to 100 as at 31 March 2016, with 23 joiners and 19 leavers across the Group. The leavers largely pertain to the release of consultants no longer needed upon expiry of a large contract relating to asbestos management. 10 staff joined the Group in December 2015 on the acquisition of SG and Camerascan.

Pre-tax profit per subsidiary before Group management charges

Profits before tax and management charges are reviewed by each subsidiary each month because the board is keen to ensure that each subsidiary trades profitably. Although the Group does not generally 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)

- 2016: sales of £1,825,600 yielding a profit of £76,800
- 2015: sales of £2,694,500 yielding a profit of £276,300

Following the ending of a contract with a large London university at the start of the financial year, turnover decreased significantly over the period. The contract had accounted for around a third of asbestos-related sales and this type of work is the primary activity of the company. This reduction in work had a material effect on performance such that the business made a loss after management charges for the year.

The business has made significant cost reductions in both cost of sales and general expenditure to compensate for the loss of revenue, but the benefit of cost savings takes time to filter through.

The level of asbestos consultancy remained consistent with other clients.

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.

Two full-time members of staff continue to be supplied 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 from local government.

ALS has successfully maintained its accreditation with UKAS ISO 17020, 17025 and ISO 9001. In addition, the company has achieved accreditation to ISO 14001.

B to B Links Limited (B to B)

- 2016: sales of £2,551,800 yielding a profit of £134,200
- 2015: sales of £2,604,100 yielding a profit of £357,100

In the financial year 2015/2016 B to B generated revenues of £2,551,800, consistent with performance in 2015 and 2014. As in 2015, the majority of revenues in 2016 came from national accounts, primarily in the department store, fashion retail and builders merchant sectors. The year also saw an important turning point in independent retail sales activity which grew for the first time following the acquisition of B to B by PHSC plc. During December 2015, the non-retail CCTV activities of Camerascan were integrated into B to B. Non-retail CCTV sales amounted to £88,100 in the three and a half months following acquisition.

After a busy end to the year ended 31 March 2015, April and May started slowly, primarily because of a hiatus in store upgrade projects in one key account and another customer's restructuring of its property team. However, this was followed by a very busy Q2 during which B to B installed and commissioned CCTV and security tagging equipment in five new department stores in England and Wales. Strong sales continued into the first part of Q3, but December sales, already normally subdued during peak retail trading, were further hampered by short-term CCTV supply chain issues which caused project delays and demanded significant management time to resolve. A strong January was followed by weaker than forecast independent sales in February and March. At the same time, overheads were higher due to integration of Camerascan. Taken together with the impact of the slow start to Q1, and the poorer than expected end to Q3, profits for the year were lower than anticipated.

The significant weakening of sterling against both the euro and dollar in 2016 has also had a modest negative impact on cost of sales and gross margins. Set against this, cost negotiations with CCTV suppliers brought improved margins mid-way through the year, the benefit of which will continue to be felt in 2017.

The addition of SG to the Group has been well received by B to B's customers and is already presenting useful opportunities for mutual cross-selling to B to B's and SG's existing accounts as well as group trade buying (eg - on security tags).

B to B's retail customer base has performed strongly during 2016 and existing key accounts all have clear plans to invest in property projects and associated CCTV and security tagging hardware during 2017. Global acquisitions of key competitors in both radio frequency and acousto-magnetic security tagging technologies may also provide opportunities to grow market share.

Key priorities for 2017 are to grow B to B sales by further developing existing accounts, achieving much stronger growth in independent sales, both retail and non-retail and maintaining tight control on costs.

Inspection Services (UK) Limited (ISL)

- 2016: sales of £219,600 yielding a profit of £40,300
- 2015: sales of £195,900 yielding a profit of £17,100

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.

The examinations carried out are in relation to requirements placed upon employers by health and safety legislation.

New sales, both to direct clients and in respect of work obtained via insurance brokers, showed an increase. The majority of existing clients also remained with the business, and this led to an improvement in annual revenues to £219,600 from £195,900 the year before.

Management charges from the parent company were lower than those in previous years. With a cost base that is otherwise largely fixed, the additional sales income and reduced charge led to profits of £40,300, representing a substantial increase on those of last year.

Around 80% of income is obtained from the insurance sector. This is because statutory examinations continue to be perceived by many clients as "insurance inspections". Many brokers prefer to use independent engineers such as ISL, rather than the costlier agencies of those insurance companies who run their own inspection teams. The efficient and reliable service given by ISL's administrative and engineering staff are a factor in the large percentage of repeat work that is enjoyed.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2016: sales of £703,300 yielding a profit of £276,100
- 2015: sales of £753,800 yielding a profit of £332,100

Revenues and profits for the year were both lower than the previous year and reflected the continuing difficulty associated with selling services into a mature marketplace.

The management charge levied by PHSC plc, the parent company, fell by 30% as higher charges were raised from other members of the Group. This softened the effect of reduced income.

As in previous years, income was underpinned by the high proportion of repeat business and the revenues from the retainer-based Appointed Safety Advisor Service. There was limited success in supplementing this income with additional ad hoc sales but this is proving increasingly challenging.

PHSCL continues to be the largest net provider of consultancy and training services to clients of other members of the PHSC plc group. In line with the policy of the parent company, there is no cross-charging and hence the revenues for the year do not reflect the volume of work delivered.

During the year, the company took on a new employee via the Government's apprenticeship programme. The apprentice is learning how to increase the company's profile via social media and internet/email marketing.

QCS International Limited (QCS)

- 2016: sales of £528,000 yielding a profit of £122,700
- 2015: sales of £526,800 yielding a profit of £148,100

In the financial year 2015/16, QCS maintained the turnover achieved in 2014/15 but experienced a fall in profits. Projected revenues and margins were based on increased training and consultancy sales expected to be generated by the updated standards ISO 9001 and ISO 14001 that had been due for release in July 2015. Consultancy and training associated with these standards are core to the QCS business model.

There was a delay by the International Standards Organisation and the British Standards Institution in publishing the new standards, which were eventually released in late September 2015. This caused a three-month drop in sales as clients were forced to defer their consultancy and training activity until the updated standards became available. The delay was not something that QCS could have predicted.

QCS was a forerunner from September onwards in the design, marketing and delivery of training courses and consultancy to the ISO standards. This is evidenced by the high number of public training courses, in house training courses and new consultancies delivered. To have completed the financial year with a turnover of £528,000 and a profit of £122,700 against the background of an enforced hiatus in the ability to provide a full service offering demonstrates the strength of the QCS brand.

QCS continues to demonstrate high levels of customer retention and has seen a steady growth in new clients to the consultancy portfolio. With a new specialist medical device practitioner in place, QCS is now well placed to gain medical device consultancies in areas which were previously not available. The medical device sector is about to undergo a significant change with updates to regulatory requirements and to the requirements of ISO 13485, growth is expected in this sector and will be supported by the design of a dedicated QCS medical device website. There will be specific marketing projects to secure further work in this field, which generates a higher rate of income for QCS.

In the last quarter of the financial year, demand for training rose significantly and assisted with mitigating the adverse impact of the delay in the publication of new standards.

In 2016/17 there will be significant changes to the main health and safety 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. The British Standard OHSAS 18001 is expected to be withdrawn when international standard ISO 45001 takes effect. This will see clients begin to transition over to the new standard, which is scheduled to be published in the second half of the financial year. QCS remains well positioned within the market place to take advantage of this change with both existing and new clients seeking assistance to ensure compliance.

Quality Leisure Management Limited (QLM)

- 2016: sales of £506,290 yielding a profit of £95,900
- 2015: sales of £533,900 resulting in a profit of £123,800

The business went through significant change following the appointment of a new managing director to replace the company's founder as he moves towards retirement.

Turnover for the year ended 31 March 2016 was £506,290 compared with £533,900 in the previous period but the profit of £95,900 was seen as satisfactory. Staffing costs were higher at the beginning of the year during the transition to new management.

The company's core consultancy business continues to develop and adapt to the changing environment and client base, particularly around the broader leisure, culture and general practitioner work. Accident investigation was up on projection, where expert testimony has been provided in numerous cases. This brings in additional income that, given the nature of the work, is hard to predict, but also continues to demonstrate QLM's level and scope of expertise.

Engagement with and development of a key auditing product with a major insurance company has not progressed as well as anticipated. Sales of publications developed for the Chartered Institute for the Management of Sport and Physical Activity were low, as the Institute has yet to release new versions for sale.

Income from quality consulting was higher than anticipated as a result of the continued development of integrated management system (IMS) projects. The system which is bespoke to the organisation continues to be developed by existing users, with others showing interest and providing income at the initial assessment stage.

The strategic alliance with Poseidon Technologies is continuing. They offer a computer vision surveillance system that recognises texture, volume and movement within a pool and that continually analyses the swimmers, alerting lifeguards of a potential accident. There were no new installations in the year, despite some very significant leads. Poseidon has engaged Alliance Leisure to assist with financing the installation, which again, is seen as a significant barrier to business despite the obvious benefits of the system.

Expenditure has increased in computer and IT support as well as travel and accommodation. Both are essential to our business operation as a UK wide consultancy, reliant on IT to be able to work and access servers, files and information remotely. Some system development is scheduled for the next two years as systems are updated and developed.

RSA Environmental Health Limited (RSA)

- 2016: sales of £413,100 yielding a profit of £72,900
- 2015: sales of £421,900 yielding a profit of £34,900

Revenue has continued to fall year on year, as the company moves closer to completing its transition away from the provision of low-margin services to the public sector to higher margin private sector services. The benefit of this change in strategy is that profitability has increased in the past year.

The business has had to make some significant adjustments as a result of changes to two key posts in the course of the year. Following the resignation of the previous managing director, the role was assumed by Justin Smith. Mr Smith has a long history with the company, having been in an operational management role since incorporation. Since his promotion, Mr Smith has been working tirelessly to ensure that the effect of the change in leadership has been minimised.

With great regret, the company lost a long-standing member of staff in Mrs Carol Hudson, customer services manager, after a short battle with cancer. Mrs Hudson was a key part of the SafetyMARK offering because of her personality and ability to deal with customer relations. Her loss has left a significant gap in the business and it has taken some time for existing and new staff to acquire the necessary skills and knowledge to cover the gap and maintain the service that our customers expect.

Finally, the business parted company with a long-standing consultant employee whose role was to deliver health and safety consultancy services for the company. The individual was not intrinsic to the SafetyMARK scheme but had supported our non-education clients. The skills gap has been covered by resources from other companies within the PHSC plc group and by the use of trusted external consultants.

The main focus for the business continues to be supporting schools with the management of health and safety via the SafetyMARK service core offering. The upselling of consultancy services back into schools continues to be strong, with training and the undertaking of fire risk assessments taking the lead. To further develop the scheme, the focus of attention has moved from trying to obtain single school sites to providing the services to multi-academy trusts. Academy schools are beginning to cluster together to achieve cost savings due to economies in scale. 2015/16 has seen some success in this area with four multi-academy trusts being signed up. These trusts are growing entities and as the number of schools following these models increase, revenues should steadily grow.

The London Borough of Redbridge has continued to promote SafetyMARK as an alternative safety support service to that previously provided by the local authority. The business has seen some growth in this area in the past year with the continued provision of audits and support as well as providing health and safety training within the borough. Currently there are 22 schools within the borough signed up to the scheme.

SG Systems (UK) Limited (SG)

- 2016: sales of £256,700 yielding a loss of £68,900 (3.5 months)

SG joined the PHSC plc group in mid-December 2015. In addition to security tagging and CCTV, SG brings expertise in RFID (radio frequency identification), merchandising point of sale and product presentation protection (eg mobile phones and tablets), customer counting and other systems focused on supporting profit growth for retailers.

SG's retail customer base is complementary to that of other Group members, with blue chip clients in the department store, grocery, newsagent, fashion and sports sectors. The company has a growing reputation for anti-theft solutions in the public sector, such as radios and keys in prisons and NHS secure units as well as school library books. SG is also active in source tagging (the supply of security labels for application at the point of manufacture).

The company's existing sales, technical and administration team has continued to operate from its base in Amesbury, Wiltshire with continuity of operational management provided on a consultancy basis by the previous owners during the earn-out period. SG's existing customers and key suppliers have reacted positively to news of the acquisition and the longer term potential of the business within PHSC plc.

SG's sales in the three and a half months to 31 March 2016 were below forecast at £256,700. This was principally due to slippage in the start date for two new department stores, and a major hiatus in store refits and new store openings for SG's major grocery customer following its decision to acquire another retailer. In both cases, these impacts, while negative, are expected to be short-term, with activity levels expected to improve later in the year.

SG's key priorities for 2016/17 include sales growth through the development of existing accounts and acquisition of new accounts, the utilisation of new or emerging products (eg RFID) to support these objectives, and a continued focus on trade and other operating costs.

As the Group has already experienced, the timing of retail investment is unpredictable and sometimes frustrating. However, SG's relationships with its key customers are excellent and the company has a strong and evolving product range. It is therefore well placed to respond to store development projects once strategic decisions have been made by customers in relation to space planning.

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, SG and Camerascan 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.

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.

STRATEGIC REPORT *(continued)*

for the year ended 31 March 2016

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 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 £200,000 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

5 August 2016

REPORT OF THE DIRECTORS

for the year ended 31 March 2016

The directors present their report with the audited financial statements of PHSC plc (company and Group) for the year ended 31 March 2016.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
M J L Miller (resigned on 1 April 2016)
G N Webb MBE
L E Young (appointed on 1 April 2016)

Mike Miller served as a non-executive director of PHSC plc since its admission to trading on AIM in June 2005. Mr Miller played a key role in overseeing the Group's acquisition programme and the board would like to extend its grateful thanks for his dedication and insightful contribution over the past decade.

DIVIDENDS

A dividend of £190,295 was paid during the year ended 31 March 2016 (2015: £190,295). The board is proposing a final dividend of 1.5p per ordinary share to be paid on 30 September 2016 to shareholders on the register on 19 August 2016.

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 note 1 to the financial statements on page 27.

SHARE BUY BACKS

There were no share buy backs during the year.

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

The directors are aware of the impact of the Group's business on the environment but believe this to be minimal due to the nature of its operations. Details of the Group's involvement in the community can be found on the company's website (www.phsc.plc.uk).

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 3 August 2016, 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	3,215,000	24.68
N C Coote	3,144,342	24.03
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	849,057	6.50
James Faulkner	455,000	3.48
Downing LLP held via Downing ONE VCT	441,509	3.37

ANNUAL GENERAL MEETING

This year's AGM will be held at 10.00 am on Thursday 8 September 2016 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 59 and 60 of this document and a form of proxy is on page 63.

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.

Election and re-election of directors (Resolutions 3 and 4)

Lorraine Young has been appointed since last year's AGM and is therefore offering herself for election at this year's AGM. Under the company's articles of association, Nicola Coote retires by rotation and offers herself for re-election.

Appointment of auditor (Resolution 5)

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

Authority of directors to allot shares (Resolutions 6 and 7)

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 6 gives the directors the necessary authority until the earlier of next year's AGM or 30 September 2017 to allot securities up to an aggregate nominal amount of £431,849.48.

Resolution 7 empowers the directors, until the earlier of next year's AGM or 30 September 2017 to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,617,270 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 3 August 2016. It is intended to renew this authority and power at each annual general meeting.

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2016

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

Resolution 8 authorises the company, until the earlier of next year's AGM or 30 September 2017 to purchase in the market up to a maximum of 1,962,952 ordinary shares (equivalent to approximately 15% of the issued share capital of the company as at 3 August 2016) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately before the date of purchase.

The company may hold any repurchased shares in treasury, instead of cancelling them immediately. If the company buys back its own shares and holds them in treasury it may then deal with some or all of them in several ways. It may sell them for cash; transfer them under the provisions of an employee share scheme; cancel them; or continue to hold them in treasury. Holding shares in treasury in this way would allow the company to reissue them quickly and cost effectively, giving increased flexibility to the management of its capital base. Dividends are not paid on shares held in treasury, nor do they carry voting rights while they remain there. The directors intend to decide at the time of any share buyback, whether to cancel the shares immediately or to hold them in treasury, depending on what would best promote the success of the company at the time. The company does not currently hold any shares in treasury.

The proposal should not be taken as an indication that the company will purchase shares at any particular price or indeed at all, and the directors will only consider making purchases if they believe that such purchases would result in an increase in earnings per share and are in the best interests of shareholders.

Voting

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

Subsequent events and future developments

There have been no significant events affecting the company since the year end.

Future developments have been discussed in the strategic report.

On behalf of the board

Lorraine Young Company Secretaries Limited
Secretary

5 August 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2016

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the strategic report, 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.

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2016

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 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 non-executive, Graham Webb MBE and Lorraine Young. 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. Graham Webb has served thirteen years. The board is of the view that Graham Webb retains his independent judgment and continues to make a valuable contribution to the board. Lorraine Young was appointed on 1 April 2016, having previously been the company secretary. 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 Lorraine Young (chair) 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 chair 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.

The remuneration committee comprises Graham Webb (chair) and Lorraine Young. 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 31.3.16						Year ended 31.3.15
	Short-term employee benefits				*Post-employment benefits*		
	Salary	**Bonus**	**Waiver**	**Benefits**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	**£**	£
S A King	90,000	5,000	(10,000)	2,101	4,280	91,381	84,878
N C Coote	70,000	5,000	–	7,320	3,500	85,820	78,073

Stephen King's benefits relate to health insurance and Nicola Coote's to a company car and health insurance. Both directors opted to take their bonus as a pension contribution.

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

	Year ended 31.3.16	Year ended 31.3.15
	£	£
M J L Miller	14,000	13,000
G N Webb	14,000	13,000

CORPORATE RESPONSIBILITY

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

RELATIONS WITH SHAREHOLDERS

The annual report is sent to all shareholders and, on request, to other parties who have an interest in the Group's performance. The company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders. The AGM provides the board with the opportunity to meet and engage directly with shareholders and all shareholders have the opportunity to put forward questions on performance and operations as well as other related topics at the AGM. 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 2016

We have audited the financial statements of PHSC plc for the year ended 31 March 2016 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 28. 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 2016 and of the group's loss 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

9 August 2016

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	31.3.16 £	31.3.15 £
Non-Current Assets			
Property, plant and equipment	5	**675,345**	689,595
Goodwill	6	**4,503,654**	4,579,976
Deferred tax asset	14	**497**	–
		5,179,496	5,269,571
Current Assets			
Inventories	8	**416,371**	215,591
Trade and other receivables	7	**1,894,875**	1,979,918
Cash and cash equivalents	9	**256,558**	462,392
		2,567,804	2,657,901
Total Assets		**7,747,300**	7,927,472
Current Liabilities			
Trade and other payables	11	**1,221,599**	1,155,824
Current corporation tax payable		**103,403**	105,245
Deferred consideration	13	**200,000**	–
		1,525,002	1,261,069
Non-Current Liabilities			
Deferred tax liabilities	14	**62,755**	67,537
Contingent consideration	13	**75,000**	–
		137,755	67,537
Total Liabilities		**1,662,757**	1,328,606
Net Assets		**6,084,543**	6,598,866
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,308,634**	1,268,634
Share premium account	10	**1,751,358**	1,751,358
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	79,836
Retained earnings		**2,747,087**	3,355,410
		6,084,543	6,598,866

The financial statements were approved and authorised for issue by the board of directors on 5 August 2016, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 23 to 44 form part of these financial statements

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Note	31.3.16 £	31.3.15 £
Continuing operations:			
Revenue		**7,004,340**	7,730,900
Cost of sales	15	**(3,803,240)**	(4,226,206)
Gross profit		**3,201,100**	3,504,694
Administrative expenses	15	**(2,930,931)**	(2,738,562)
Administrative expenses - exceptional	25	**(608,936)**	(262,758)
(Loss)/profit from operations		**(338,767)**	503,374
Finance income	18	**1,052**	750
Finance costs	18	**(8)**	(796)
(Loss)/profit before taxation		**(337,723)**	503,328
Corporation tax expense	19	**(75,920)**	(154,601)
(Loss)/profit for the year after tax attributable to owners of the parent		**(413,643)**	348,727
Other comprehensive income		**–**	-
Total comprehensive income attributable to owners of the parent		**(413,643)**	348,727
Basic and Diluted Earnings per Share from continuing operations	20	**(3.23)p**	2.75p

Accounting policies and notes on pages 23 to 44 form part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance as at 1 April 2014 (as previously reported)	1,268,634	1,831,194	–	143,628	3,196,978	6,440,434
Prior year adjustment re share issues*	–	(79,836)	79,836	–	–	–
Balance as at 1 April 2014 (restated)	1,268,634	1,751,358	79,836	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	1,751,358	79,836	143,628	3,355,410	6,598,866
Balance at 1 April 2015	1,268,634	1,751,358	79,836	143,628	3,355,410	6,598,866
Loss for year attributable to equity holders	–	–	–	–	(413,643)	(413,643)
Issue of shares on acquisition	40,000	–	54,000	–	(4,385)	89,615
Dividends	–	–	–	–	(190,295)	(190,295)
Balance at 31 March 2016	1,308,634	1,751,358	133,836	143,628	2,747,087	6,084,543

** See basis of preparation of financial statements for details*

Accounting policies and notes on pages 23 to 44 form part of these financial statements

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Note	31.3.16 £	31.3.15 £
Cash flows from operating activities:			
Cash generated from operations	I	**414,062**	739,423
Interest paid		**(8)**	(796)
Tax paid		**(83,041)**	(177,057)
Net cash generated from operating activities		**331,013**	561,570
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(35,654)**	(58,952)
Payments in relation to acquisitions (net of cash acquired)		**(262,674)**	–
Disposal of fixed assets		**724**	450
Interest received		**1,052**	750
Net cash used in investing activities		**(296,552)**	(57,752)
Cash flows used by financing activities			
Payment of deferred consideration		**(50,000)**	–
Payment of contingent consideration on acquisitions		**–**	(563,528)
Dividends paid to Group shareholders		**(190,295)**	(190,295)
Net cash used by financing activities		**(240,295)**	(753,823)
Net decrease in cash and cash equivalents		**(205,834)**	(250,005)
Cash and cash equivalents at beginning of year		**462,392**	712,397
Cash and cash equivalents at end of year		**256,558**	462,392

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	31.3.16 £	31.3.15 £
I. CASH GENERATED FROM OPERATIONS		
Operating (loss)/profit – continuing operations	**(338,767)**	503,374
Depreciation charge	**46,882**	52,249
Goodwill impairment	**608,936**	29,230
Fair value movement in contingent consideration	**–**	233,528
Loss on sale of fixed assets	**2,298**	12,320
Increase in inventories	**(28,179)**	(61,321)
Decrease/(increase) in trade and other receivables	**381,937**	(44,638)
(Decrease)/increase in trade and other payables	**(259,045)**	21,179
Decrease in financial liabilities	**–**	(6,498)
Cash generated from operations	**414,062**	739,423

ACCOUNTING POLICIES

for the year ended 31 March 2016

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 pages 3 to 11. 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 strategic report.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 15, IFRS 9 and IFRS 16 as their detailed review of these standards is still ongoing.

As detailed in the statement of changes in equity, a prior period adjustment was made to reallocate £79,836 from the share premium account to the merger relief reserve. The balance relates to the premium on shares issued as part consideration on prior year acquisitions that should have been allocated to the merger relief reserve in accordance with section 612 of The Companies Act 2006. The adjustment has no impact on the net assets of the group and is a reallocation between reserves in the statement of financial position.

Basis of consolidation

The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2016.

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. Acquisition related costs are expensed as incurred. 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.

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2016

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 profit and loss in the period in which they are incurred. All other decreases are charged to profit and loss.

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 profit and loss.

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 exceptional 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 profit and loss 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.

The merger relief reserve represents the premium of any shares issued in part consideration on acquisitions in accordance with section 612 of The Companies Act 2006.

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 two of the Group subsidiaries, B to B and the newly acquired SG, provide 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 and SG 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 administrative expense heading.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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 which 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 2016				
Trade and other payables	1,221,599	–	–	–
Deferred consideration	200,000	–	–	–
Contingent consideration	–	75,000	–	–
At 31 March 2015				
Trade and other payables	1,155,824	–	–	–

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.

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.

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 director's expectations of future volumes and margins based on the business plan 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. Full details are disclosed in note 6.

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 10.

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.

	PHSC plc £'000	PHSCL £'000	RSA £'000	ALS £'000	ISL £'000	QLM £'000	QCS £'000	B to B £'000	SG £'000 (3.5 mth)	Total £'000
As at 31 March 2016										
Total revenue (all external)	–	703	413	1,827	219	506	528	2,552	256	7,004
Depreciation	7	11	1	8	–	3	1	14	1	46
Subsidiary operating profit/(loss)	(479)	276	73	77	40	96	123	134	(69)	271
Net interest	1	–	–	–	–	–	–	–	–	1
Taxation	(10)	(41)	(9)	–	(7)	(13)	(19)	–	–	(99)
Deferred taxation	10	(1)	–	2	(7)	1	1	–	(1)	5
Consolidation adjustments:										
Taxation – group loss relief										17
Goodwill impairment										(609)
Group loss for year										(414)
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

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	SG £'000	Total £'000
Year ended 31 March 2016										
Non-current asset additions	–	1	–	1	–	1	1	22	–	26
Non-current assets	5,329	333	420	68	1	9	4	349	10	6,523
Current assets	(1,366)	531	190	966	143	240	348	1,094	377	2,523
Total assets	3963	864	610	1,034	144	249	352	1,443	387	9,046
Current liabilities	271	95	84	150	115	124	98	457	183	1,577
Non-current liabilities	85	37	–	4	–	1	–	5	1	133
Total liabilities	356	132	84	154	115	125	98	462	184	1,710
Net operating assets	3,607	732	526	880	29	124	254	981	203	7,336
Consolidation adjustments:										
Non-current assets i										(1,264)
Current liabilities ii										18
Non-current liabilities iii										(5)
Net assets										6,085
Year ended 31 March 2015										
Non-current asset additions	–	6	62	17	–	5	1	28	–	119
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

(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.

Revenues from one customer within the B to B business segment totalled £1,491,685 (2015: £1,634,765).

4. AUDITOR REMUNERATION

	31.3.16 £	31.3.15 £
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**6,080**	3,030
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	**25,200**	24,300
Total audit	**31,280**	27,330
Tax		
Tax compliance services	**11,200**	8,770
Tax advisory services	**5,200**	4,400
Total tax	**16,400**	13,170
Total	**47,680**	40,500

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Totals £
COST					
At 1 April 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
Additions	–	–	11,095	15,125	26,220
Disposals	–	–	–	(7,363)	(7,363)
Acquisition of subsidiary	–	–	9,434	–	9,434
At 31 March 2016	712,000	32,299	291,195	47,405	1,082,899
DEPRECIATION					
At 1 April 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
Charge for year	11,209	2,398	23,847	9,428	46,882
Disposals	–	–	–	(4,341)	(4,341)
At 31 March 2016	148,191	26,380	212,050	20,933	407,554
NET BOOK VALUE					
At 31 March 2016	563,809	5,919	79,145	26,472	675,345
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

Depreciation expenses of £46,882 (2015: £52,249) are included in administrative expenses in the statement of comprehensive income.

There were no (2015: nil) motor vehicles subject to finance lease at the year end.

Lease rentals amounting to £154,948 (2015: £137,291), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

6. GOODWILL

	Goodwill £
COST	
At 1 April 2014 and 2015	4,981,933
Additions	532,614
At 31 March 2016	5,514,547
AMORTISATION	
At 1 April 2014	372,727
Impairment	29,230
At 31 March 2015	401,957
Impairment	608,936
At 31 March 2016	1,010,893
NET BOOK VALUE	
At 31 March 2016	4,503,654
At 31 March 2015	4,579,976
At 31 March 2014	4,609,206

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:

	31.3.16 £	31.3.15 £
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	**625,191**	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
SG Systems (UK) Limited	**337,112**	–
Camerascan CCTV Limited	**195,502**	–
	4,483,492	4,559,814
At company level	**20,162**	20,162
Total goodwill for Group	**4,503,654**	4,579,976

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 a discount rate of 11%. The rate has been determined by calculating the Group's weighted average cost of capital (WACC) of 8.48% using the Black-Scholes model with a 2.5% risk factor added.

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	1,131,463	(1.42)	83,744	33
RSA Environmental Health Limited	90,925	5.49	81,848	14
Adamson's Laboratory Services Limited	–	7.29	88,000	11
Inspection Services (UK) Limited	2,349	7.14	28,884	11
Quality Leisure Management Limited	147,848	4.60	82,039	15
QCS International Limited	842,335	(1.60)	58,785	33
B to B Links Limited	658,807	1.83	132,813	21
SG Systems (UK) Limited	883,893	(3.6)	47,451	38
Camerascan CCTV Limited	1,006,634	(5.1)	27,518	50

7. TRADE AND OTHER RECEIVABLES

	31.3.16 £	31.3.15 £
Trade receivables	**1,690,471**	1,688,973
Less provision for impairment of trade receivables	**(15,322)**	(21,442)
Trade receivables – net	**1,675,149**	1,667,531
Other debtors, prepayments and accrued income	**219,726**	312,387
Total	**1,894,875**	1,979,918

At 31 March 2016 there were £15,322 impaired trade receivables (2015: £21,442).

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

	31.3.16 £	31.3.15 £
Up to 3 months	**659,104**	502,099
3 – 6 months	**190,258**	120,532
Over 6 months	**54,663**	40,282
	904,025	662,913

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:

	31.3.16 £	31.3.15 £
At 1 April	**21,442**	24,416
Provision for receivables impairment	**(6,451)**	12,571
Receivables written back during the year as uncollectible	**331**	(15,545)
At 31 March	**15,322**	21,442

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 2016

8. INVENTORIES

	31.3.16 £	31.3.15 £
Stocks	**416,371**	215,591

No inventory was written down in the current year (2015: £nil). The value of inventory consumed and recognised as an expense was £1,272,104 (2015: £1,127,724).

9. CASH AND CASH EQUIVALENTS

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

	31.3.16 £	31.3.15 £
Cash at bank and in hand	**256,558**	462,392

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 2014 and 2015	12,686,353	1,268,634	1,751,358	3,019,992
Shares issued	400,000	40,000	–	35,615
At 31 March 2016	13,086,353	1,308,634	1,751,358	3,055,607

11. TRADE AND OTHER PAYABLES

	31.3.16 £	31.3.15 £
Trade payables	**466,549**	341,231
Social security and other taxes	**323,455**	325,575
Other payables	**75,561**	76,401
Accruals and deferred income	**356,034**	412,617
Total	**1,221,599**	1,155,824

12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. During the year HSBC plc renewed the Group's extended overdraft facility which is secured by a debenture including a fixed charge over all present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future.

13. DEFERRED AND CONTINGENT CONSIDERATION

Deferred consideration	Current £	Non-current £	Total £
At 1 April 2015	–	–	–
Liability in relation to acquisition of SG	200,000	–	200,000
At 31 March 2016	200,000	–	200,000

On the first anniversary of the purchase of SG, a payment of £200,000 is due.

Contingent consideration	Current £	Non-current £	Total £
At 1 April 2015	–	–	–
Liability in relation to acquisition of SG	–	75,000	75,000
At 31 March 2016	–	75,000	75,000

On 11 December 2017, the date of the second anniversary, a final payment of £75,000 is due, subject to adjustment up or down according to performance against targets.

14. DEFERRED TAX

Deferred tax asset	Provision revalued properties £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2014	–	–	53	53
Debited to income statement	–	–	(53)	(53)
At 31 March 2015	–	–	–	–
Credited to income statement	–	–	497	497
At 31 March 2016	–	–	497	497

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 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
(Credited)/debited to income statement	(3,184)	(1,598)	–	(4,782)
At 31 March 2016	43,436	14,162	5,157	62,755

Deferred tax has been provided on the revalued fixed assets at 20% (2015: 20%). At present it is not envisaged that any tax will become payable in the foreseeable future.

15. EXPENSES BY NATURE

	31.3.16 £	31.3.15 £
Cost of sales	**2,100,063**	2,344,203
Staff related costs	**3,162,119**	3,205,358
Premises costs	**147,609**	129,124
Professional fees	**351,190**	248,611
Operating lease expenses	**154,948**	137,291
Other expenses	**818,242**	900,181
Exceptional costs	**608,936**	262,758
Total cost of sales and administrative expenses	**7,343,107**	7,227,526

16. EMPLOYEES

Staff costs (including executive directors)

	31.3.16 £	31.3.15 £
Wages and salaries	**2,782,477**	2,782,351
Social security costs	**278,553**	277,093
Other pension costs	**61,485**	35,831
	3,122,515	3,095,275

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

	31.3.16	31.3.15
Directors	**9**	10
Consultants	**48**	51
Administrative	**43**	29
Total	**100**	90

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

	31.3.16	31.3.15
Short-term employee benefits	**580,773**	531,353
Post-employment benefits	**51,151**	40,600
Total	**631,924**	571,953

17. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.16 £	31.3.15 £
Emoluments	**187,421**	182,064
Pension contributions to money purchase schemes	**17,780**	6,887
	205,201	188,951

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

	Year ended 31.3.16 Short term employee benefits				Post employment benefits		Year ended 31.3.15
	Salary £	Bonus £	Waiver £	Benefits £	Pension £	Total £	Total £
S A King	90,000	5,000	(10,000)	2,101	4,280	**91,381**	84,878
N C Coote	70,000	5,000	–	7,320	3,500	**85,820**	78,073

Stephen King's benefits pertain to health insurance and Nicola Coote's to a company car and health insurance. Both directors opted to take their bonus as a pension contribution.

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

	Year ended 31.3.16 £	Year ended 31.3.15 £
M J L Miller	**14,000**	13,000
G N Webb	**14,000**	13,000

18. FINANCE INCOME AND COSTS

	31.3.16 £	31.3.15 £
Finance income		
Interest received	**1,052**	750
Interest expense		
Bank interest	**8**	9
HP interest	**–**	787
	8	796
Net finance income	**1,044**	46

19. TAXATION

Analysis of tax charge in year

	31.3.16 £	31.3.15 £
Current tax:		
UK corporation tax on profits in the year	**81,075**	155,297
Adjustments in respect of previous year	**124**	(469)
Total current tax	**81,199**	154,828
Deferred tax on origination and reversal of timing differences (provided at 20%)	**(5,279)**	(227)
Taxation	**75,920**	154,601

Factors affecting tax charge for year

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 20% (2015: 21%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	31.3.16 £	31.3.15 £
(Loss)/Profit on ordinary activities before tax	**(337,723)**	503,328
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	**(67,545)**	105,699
Effects of:		
Expenses not deductible for tax purposes	**129,554**	53,791
Other permanent differences	**2,163**	100
Capital allowances in excess of depreciation	**–**	(3,291)
Losses carried back to prior period	**14,662**	–
Marginal relief	**–**	(1,002)
Adjustment in respect of change in deferred tax rate	**(2,129)**	(227)
Adjustments in respect of prior periods	**(785)**	(469)
Total tax charge	**75,920**	154,601

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2016

20. 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.

	31.3.16	31.3.15
(Loss)/profit attributable to equity holders of the Group (£)	**(413,642)**	348,727
Weighted average number of ordinary shares in issue	**12,806,901**	12,686,353
Basic earnings per share (pence per share)	**(3.23p)**	2.75p

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

21. DIVIDENDS

A dividend £190,295, representing 1.5p per ordinary share, was paid in respect of the years ended 31 March 2015 and 2014. A dividend in respect of the year ended 31 March 2016 of 1.5p per ordinary share amounting to a total dividend of £196,295 is to be proposed at the AGM on 8 September 2016. These financial statements do not reflect this dividend payable.

22. 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.

The minimum lease payments to which the Group is committed under operating leases are:

	31.3.16		31.3.15	
	Land and buildings £	Motor vehicles £	Land and buildings £	Motor vehicles £
Within one year	**35,500**	**67,638**	15,500	78,466
Between two and five years	**66,667**	**54,552**	33,667	61,185
Total	**102,167**	**122,190**	49,167	139,651

The Group had no capital commitments at the year end.

23. RELATED PARTY DISCLOSURES

	31.3.16 £	31.3.15 £
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

24. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the 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 24.68% (2015: 25.25%) of the issued share capital of PHSC plc.

25. EXCEPTIONAL COSTS

The exceptional cost of £608,936 relates to the impairment of PHSC plc's investment in ALS. The impairment review undertaken by the directors identified that goodwill of £1,234,127 pertaining to ALS was not fully supported by future cash flows. The decision was taken to impair the goodwill by £608,936 to £625,191, in line with forecast earnings.

The exceptional cost in 2015 of £262,758 comprises the write off of goodwill (£29,230) relating to the purchase of a number of sales contracts serviced by RSA now expired and additional sums paid for the acquisition of QCS (£25,283) and B to B (£208,245).

26. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.16 £	31.3.15 £
Financial assets at amortised cost		
Trade and other receivables	**1,762,274**	1,868,999
Cash and cash equivalents	**256,558**	462,392
	2,018,832	2,331,391
Financial liabilities at amortised cost		
Trade and other payables	**851,323**	581,461
	851,323	581,461
Due within 1 year	**851,323**	581,461
Due in over 1 year	**–**	–
	851,323	581,461

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

Financial liabilities at fair value through profit and loss		
Contingent consideration	**75,000**	–
	75,000	–

The contingent consideration held at fair value through profit and loss is the final payment due on the acquisition of SG and is subject to an adjustment up or down according to performance against targets. The final payment is in the range of £25,000 to £375,000 and is determined by a formula that relates to performance over the period.

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

27. BUSINESS COMBINATIONS

PHSC plc acquired two trading companies during the year ended 31 March 2016.

On 11 December 2015, 100% of the share capital of SG was acquired. This business contributed revenues of £256,681 and loss before taxation of £73,363 to the Group for the 3.5 month period from 11 December 2015 to 31 March 2016. The acquisition of SG was undertaken to strengthen the Group's presence in the retail security sector. SG trades in the same sectors as B to B but has a different client base allowing an interchange and overlap in the respective business activities.

On 11 December 2015, 100% of the share capital of Camerascan was acquired. Upon acquisition the trade and assets were hived into B to B. This business contributed revenues of £88,134 and gross profit of £70,743 to the Group for the 3.5 month period from 11 December 2015 to 31 March 2016. Since the hive up the administration costs have been shared between the operations. The acquisition of Camerascan has strengthened the Group's presence in the CCTV sector; B to B historically installed CCTV systems exclusively in the retail sector and the acquisition of Camerascan has provided access to a more diverse marketplace.

In due course, the Group will look to formally consolidate the businesses of B to B and SG to create a security division.

If the results of both companies had been included in the group financial statements from 1 April 2015 then the consolidated revenue would have been £7,923,333 and the net loss £408,666.

Details of net assets acquired and goodwill are:

	SG £	Camerascan £
Purchase consideration		
– cash paid	**304,464**	109,401
– deferred consideration	**200,000**	50,000
– contingent consideration	**75,000**	–
– consideration in shares*	**23,500**	70,500
Total purchase consideration	**602,964**	229,901
Fair value of net assets acquired	**(265,852)**	(34,399)
Goodwill	**337,112**	195,502

** Shares were issued as part of the consideration. The value of these shares (50p per share) within the share purchase agreement was based upon the net asset value of the company at the time rather than the price quoted on the stock exchange (23.5p per share). In accordance with IFRS 3 these have been valued using the share price as listed on the day of the acquisition.*

The goodwill recognised on the acquisitions represents the synergies that will be achieved by bringing the companies into the PHSC plc group.

The total acquisition related costs included within administration costs were £50,000.

The contingent consideration is the final payment due on the acquisition of SG and is subject to an adjustment up or down according to performance against targets. The final payment is in the range of £25,000 to £375,000 and is determined by a formula that relates to performance over the period.

27. BUSINESS COMBINATIONS (continued)

The assets and liabilities arising from the acquisitions were:

	SG Fair value £	SG *Acquiree's carrying amount* £	Camerascan Fair value £	Camerascan *Acquiree's carrying amount* £
Cash and cash equivalents	60,967	*60,967*	80,224	*80,224*
Plant and equipment	9,434	*9,434*	560	*560*
Inventories	172,601	*172,601*	–	–
Trade and other receivables	287,972	*287,972*	8,923	*8,923*
Trade and other payables	(262,133)	*(262,133)*	(35,728)	*(35,728)*
Current corporation tax payable	(2,989)	*(2,989)*	(19,580)	*(19,580)*
Deferred tax liabilities	–	–	–	–
Net assets acquired	265,852	*265,852*	34,399	*34,399*
Purchase consideration settled in cash	579,464	*579,464*	159,401	*159,401*
Cash and cash equivalents in subsidiary acquired	(60,967)	*(60,967)*	(80,224)	*(80,224)*
Cash outflow on acquisition	518,497	*518,497*	79,177	*79,177*

28. REVENUE

Set out below is a breakdown of revenue:

	31.3.16 £	31.3.15 £
Revenue from services provided	**4,195,895**	5,126,807
Revenue from sale of products	**2,808,445**	2,604,093
	7,004,340	7,730,900

Revenue from the sale of products relates to the revenue of B to B and SG.

Company number: 4121793

PHSC plc

COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

 Registered number: 4121793

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Note	31.3.16 £	31.3.15 £
Non-Current Assets			
Property, plant and equipment	9	**250,146**	116,442
Investments	10	**5,078,397**	5,593,394
		5,328,543	5,709,836
Current Assets			
Trade and other receivables	11	**798,514**	499,534
		798,514	499,534
Total Assets		**6,127,057**	6,209,370
Current Liabilities			
Trade and other payables	12	**160,215**	106,684
Overdraft	13	**1,355,420**	848,814
Current corporation tax		**9,339**	–
Deferred consideration	14	**200,000**	–
		1,724,974	955,498
Non-Current Liabilities			
Deferred taxation	15	**10,018**	2,821
Contingent consideration	14	**75,000**	–
		85,018	2,821
Total Liabilities		**1,809,992**	958,319
Net Assets		**4,317,065**	5,251,051
Capital and reserves attributable to equity holders of the Group			
Called up share capital	16	**1,308,634**	1,268,634
Share premium account	16	**1,751,358**	1,751,358
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	79,836
Revaluation reserve		**43,373**	-
Retained earnings		**936,236**	2,007,595
		4,317,065	5,251,051

Approved and authorised for issue by the board on 5 August 2016 and signed on its behalf by;

S A King *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Revaluation Reserve £	Retained Earnings £	Total £
Balance as at 1 April 2014 (as previously reported)	**1,268,634**	**1,831,194**	**–**	**143,628**	**–**	**2,077,316**	**5,320,772**
Prior year adjustment re share issues*	–	(79,836)	79,836	–	–	–	–
Balance as at 1 April 2014 (restated)	1,268,634	1,751,358	79,836	143,628	–	2,077,316	5,320,772
Profit for year attributable to equity holders	–	–	–	–	–	120,574	120,574
Dividends paid	–	–	–	–	–	(190,295)	(190,295)
Balance at 31 March 2015	**1,268,634**	**1,751,358**	**79,836**	**143,628**	**–**	**2,007,595**	**5,251,051**
Balance at 1 April 2015	1,268,634	1,751,358	79,836	143,628	–	2,007,595	5,251,051
Loss for year attributable to equity holders	–	–	–	–	–	(876,679)	(876,679)
Issue of shares on acquisition	40,000	–	54,000	–	–	(4,385)	89,615
Transfer revaluation reserve from subsidiary	–	–	–	–	43,373	–	43,373
Dividends paid	–	–	–	–	–	(190,295)	(190,295)
Balance at 31 March 2016	**1,308,634**	**1,751,358**	**133,836**	**143,628**	**43,373**	**936,236**	**4,317,065**

** See basis of preparation of financial statements for details*

PHSC plc

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Note	31.3.16 £	31.3.15 £
Cash flows (used by) from/operating activities:			
Cash generated from/(used by) operations	I	**(68,092)**	42,767
Tax paid		**(149)**	(200)
Interest paid		**(8)**	(9)
Net cash generated (used by)/from operating activities		**(68,249)**	42,558
Cash flows (used by)/from investing activities			
Payment in relation to acquisition of subsidiaries		**(413,865)**	–
Dividends from subsidiary companies		**215,000**	445,000
Interest received		**803**	750
Net cash (used by)/from investing activities		**(198,062)**	445,750
Cash flows used by financing activities			
Payment of deferred consideration		**(50,000)**	–
Payment of contingent consideration on acquisitions		**–**	(563,528)
Dividends paid to Group shareholders		**(190,295)**	(190,295)
Net cash used by financing activities		**(240,295)**	(308,823)
Net decrease in overdraft		**(506,606)**	(265,515)
Cash and cash equivalents at beginning of year		**(848,814)**	(583,299)
Overdraft at end of year		**(1,355,420)**	(848,814)

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	31.3.16 £	31.3.15 £
I. CASH (USED BY)/GENERATED FROM OPERATIONS		
Loss before taxation and interest	**(1,438,069)**	(326,445)
Depreciation charge	**7,026**	7,130
Impairment of investment/goodwill	**1,118,061**	29,230
Fair value movement in contingent consideration	**–**	233,528
(Increase)/decrease in trade and other receivables	**(117,932)**	47,463
Increase in trade and other payables	**362,822**	51,861
Cash (used by)/generated from operations	**(68,092)**	42,767

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2016

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 (2016: £249,302; 2015: £445,000) was £1,129,981 (2015: loss £324,426). There were no recognised gains and losses for 2016 or 2015 other than those included in the company statement of comprehensive income.

The financial statements have been prepared on a going concern basis. The company made a loss of £1,129,981 (2015: loss £324,426) for the year ended 31 March 2016 and had net assets of £4,317,065 at the balance sheet date (2015: £5,251,051).

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 strategic report.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 15, IFRS 9 and IFRS 16 as their detailed review of these standards is still ongoing.

As detailed in the statement of changes in equity, a prior period adjustment was made to reallocate £79,836 from the share premium account to the merger relief reserve. The balance relates to the premium on shares issued as part consideration on prior year acquisitions that should have been allocated to the merger relief reserve in accordance with section 612 of The Companies Act 2006. The adjustment has no impact on the net assets of the group and is a reallocation between reserves in the statement of financial position.

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.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 exceptional 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.

The merger relief reserve represents the premium of any shares issued in part consideration on acquisitions in accordance with section 612 of The Companies Act 2006.

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. LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	31.3.16	31.3.15
	£	£
Depreciation – owned assets	**7,026**	7,130

5. DIRECTORS' REMUNERATION

Full details are given on page 17 of the group accounts.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2016

6. STAFF COSTS

	31.3.16	31.3.15
The average monthly number of employees during the year was as follows:		
Directors	**4**	4
Consultants	**2**	2
Administration	**3**	3
	9	9

	31.3.16 £	31.3.15 £
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**231,349**	265,329
Social security costs	**26,214**	26,113
Other pension costs	**14,708**	8,637
	272,271	300,079

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

7. AUDITOR'S REMUNERATION

Full details are given on page 31 of the group accounts.

8. FINANCE INCOME AND COSTS

	31.3.16 £	31.3.15 £
Finance income		
Interest received	**803**	750
Interest expense		
Bank interest	**(8)**	(9)
Net finance income	**795**	741

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2015 and 2016	122,000	23,978	13,103	159,081
Transfer from subsidiary	140,730	–	–	140,730
At 31 March 2016	262,730	23,978	13,103	299,811
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
Charge for the year	2,909	2,398	1,719	7,026
At 31 March 2016	23,659	18,062	7,944	49,665
NET BOOK VALUE				
At 31 March 2016	239,071	5,916	5,159	250,146
At 31 March 2015	101,250	8,314	6,878	116,442
At 31 March 2014	103,690	10,712	9,170	123,572

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.16 £	31.3.15 £
At 31 March 2015 and 2014	**5,593,394**	5,593,394
Addition – SG	**602,964**	–
Addition – Camerascan*	**229,901**	–
Transfer of investment value to B to B on hive up of trade and assets	**(229,801)**	–
Impairment	**(1,118,061)**	–
	5,078,397	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
SG Systems (UK) Limited	England	100%	Retail security
Camerascan CCTV Limited	England	100%	Retail security

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2016

11. TRADE AND OTHER RECEIVABLES

	31.3.16 £	31.3.15 £
Amount owed by subsidiary undertakings	**764,286**	472,303
Other receivables, prepayments and accrued income	**34,228**	27,231
	798,514	499,534

12. TRADE AND OTHER PAYABLES

	31.3.16 £	31.3.15 £
Trade payables	**6,855**	4,006
Amount owed to subsidiary undertakings	**98,104**	–
Social security and other taxes	**32,743**	26,110
Other payables	**8,283**	6,810
Accruals and deferred income	**14,230**	69,758
	160,215	106,684

13. OVERDRAFT

	31.3.16 £	31.3.15 £
Current		
Bank overdraft	**1,355,420**	848,814

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 2016, PHSC plc's company balance was £1,355,420 overdrawn (2015: £848,814 overdrawn) within the Group's cash at bank and in hand figure of £256,558 (2015: £462,392). The overdraft facility is reviewed subject to requirement.

14. DEFERRED AND CONTINGENT CONSIDERATION

Deferred consideration	Current £	Non-current £	Total £
At 1 April 2015	–	–	–
Liability in relation to acquisition of SG	200,000	–	200,000
At 31 March 2016	200,000	–	200,000

On the first anniversary of the purchase of SG a payment of £200,000 is due.

Contingent consideration	Current £	Non-current £	Total £
At 1 April 2015	–	–	–
Liability in relation to acquisition of SG	–	75,000	75,000
At 31 March 2016	–	75,000	75,000

On 11 December 2017, the date of the second anniversary, a final payment of £75,000 is due, subject to adjustment up or down according to performance against targets.

15. DEFERRED TAXATION

	31.3.16 £	31.3.15 £
Deferred taxation – accelerated capital allowances	**10,018**	2,821

	Deferred tax £	Deferred tax £
At 1 April 2015	**3,711**	–
Deferred tax debit in year	**6,307**	3,711
At 31 March 2016	**10,018**	3,711

16. SHARE CAPITAL

	Number of shares (Nominal value of 10p per share)	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 1 April 2014 and 2015	12,686,353	1,268,634	1,751,358	3,099,828
Shares issued	400,000	40,000	–	40,000
At 31 March 2016	13,086,353	1,308,634	1,751,358	3,139,828

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2016

17. RELATED PARTY DISCLOSURES

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

	31.3.16 £	31.3.15 £
Management charge from PHSC plc to subsidiary companies	**487,645**	460,200

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

	31.3.16 £	31.3.15 £
Amounts owed by group undertakings		
B to B Links Limited	**54,000**	–
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**95**	–
Personnel Health & Safety Consultants Limited	**–**	336
QCS International Limited	**1,280**	799
Quality Leisure Management Limited	**1,406**	1,864
SG Systems (UK) Limited	**8,600**	–
Camerascan CCTV Limited	**274,800**	–
	809,485	472,303
Amounts owed to group undertakings		
Adamson's Laboratory Services Limited	**97,017**	–
Personnel Health & Safety Consultants Limited	**1,087**	–
	98,104	–
PHSC plc dividends received from subsidiaries as follows:		
Adamson's Laboratory Services Limited	**5,000**	10,000
B to B Links Limited	**10,000**	200,000
Inspection Services (UK) Limited	**5,000**	5,000
Personnel Health & Safety Consultants Limited	**100,000**	100,000
QCS International Limited	**50,000**	70,000
Quality Leisure Management Limited	**25,000**	50,000
RSA Environmental Health Limited	**20,000**	10,000
Camerascan (CCTV) Limited	**34,302**	–
	249,302	445,000
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

18. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

	31.3.16 £	31.3.15 £
Financial assets at amortised cost		
Trade and other receivables	**843,713**	499,534
	843,713	499,534
Financial liabilities at amortised cost		
Overdraft	**1,555,420**	848,814
Trade and other payables	**160,215**	106,684
	1,715,635	955,498
Due within 1 year	**1,715,635**	955,498
Due in over 1 year	**–**	–
	1,715,635	955,498

Full details of the overdraft facility can be found in note 13.

	31.3.16 £	31.3.15 £
Financial liabilities at fair value through profit and loss		
Contingent consideration	**75,000**	–
	75,000	–

The contingent consideration held at fair value through profit and loss is the final payment due on the acquisition of SG and is subject to an adjustment up or down according to performance against targets.

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

19. 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 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 investment. This calculation is based on the director's expectations of future volumes and margins based on the business plan 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 investment be sold at the end of year 6, are included in the recoverable amount.

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 quote p/e ratios, and;
- have been discounted using a discount rate of 11%. The rate has been determined by calculating the Group's weighted average cost of capital (WACC) of 8.48% using the Black-Scholes model with a 2.5% risk factor added.

20. 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 24.68% (2015: 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 10.00 am on Thursday 8 September 2016 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

1. To receive the annual report and audited accounts for the year ended 31 March 2016.

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

3. To elect Lorraine Young as a director.

4. To re-elect Nicola Coote as a director.

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

6. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the company to allot 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 £431,849 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting in 2017 or on 30 September 2017, 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

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

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

    (b) the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale and transfer of shares held by the company in treasury (as the directors shall deem appropriate) to any person or persons up to an aggregate nominal amount of £261,727.

    such power to expire at the conclusion of the annual general meeting of the company in 2016 or, if earlier, on 30 September 2017, 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.

8. THAT, the company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the company ("ordinary shares") on such terms and in such manner as the directors may from time to time determine, provided that:

   (a) the maximum number of ordinary shares authorised to be purchased shall be 1,962,952;

   (b) the minimum price which may be paid for an ordinary share is 10 pence;

   (c) the maximum price which may be paid for an ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;

   (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the company;

   (e) the authority conferred by this resolution shall expire at the conclusion of the annual general meeting of the company in 2017 or, if earlier, at the close of business on 30 September 2017, unless such authority is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; and

   (f) the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

By order of the board

Lorraine Young Company Secretaries Limited
Secretary

15 August 2016

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 6.00 pm on 6 September 2016. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

2. Appointment of proxies

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

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

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

3. Appointment of proxy using hard copy proxy form

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

To appoint a proxy using the proxy form, the form must be completed and signed and received by the Company Secretary at Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR 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 the Company Secretary, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR
- Scanning it and sending it by email to lorraine.young@shma.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 company secretary 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 020 7264 4405. 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 Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR. Alternatively you may send the notice by email to lorraine.young@shma.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 020 7264 4405 (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, to communicate with the Company for any purposes other than those expressly stated.

8. Issued shares and total voting rights

As at 5.00 pm on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised 13,086,348 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 13,086,348.

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PHSC plc

**Proxy form for use by holders of ordinary shares in PHSC plc
at the Annual General Meeting (AGM)
to be held on Thursday 8 September 2016**

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 elect Lorraine Young as a director				
4. To re-elect Nicola Coote as a director				
5. To reappoint the auditors and authorise the directors to set their fees				
6. To authorise the directors to allot shares				
7. To disapply pre-emption rights				
8. To authorise share buybacks				

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, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment.