PHSC plc

Managing the Health, Safety and Security
of People and Property.

ANNUAL REPORT
2020

Safety

Health & Safety
Food Safety
Legionella & Occupational Hygiene
Statutory Examination
(Work Equipment)
Training (Accredited & Bespoke)

Systems

Training & Consultancy
ISO 9001
ISO 14001
ISO 27001
ISO 45001
ISO 13485

Security

CCTV
Security Tagging
(Systems & Consumables)
Foot Fall Counting / Analysis
Product Protection
Security Labels

PHSC plc

CONTENTS OF THE ANNUAL REPORT

for the year ended 31 March 2020

COMPANY INFORMATION

for the year ended 31 March 2020

DIRECTORS:	S A King N C Coote G N Webb MBE L E Young
SECRETARY:	SGH Company Secretaries Limited
REGISTERED OFFICE & BUSINESS ADDRESS:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
AUDITOR:	Crowe U.K. LLP Chartered Accountants & Registered Auditor 40-46 High Street Maidstone Kent ME14 1JH
SOLICITORS:	Gullands 16 Mill Street Maidstone Kent ME15 6XT
REGISTRARS:	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD
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BROKER:	Novum Securities Limited 8-10 Grosvenor Gardens London SW1W 0DH

STRATEGIC REPORT

for the year ended 31 March 2020

FINANCIAL HIGHLIGHTS

- EBITDA of £0.255m, an increase of approximately 120% from £0.116m last year (after adjustment for exceptional gain on property sale of £0.166m last year)
- Statutory loss after tax of £0.015m compared with a profit of £0.001m last year (which included gain on property sale of £0.166m last year)
- Group revenue of £4.438m compared with £5.215m last year
- Cash reserves of £0.756m at year end compared to £0.642m last year
- Write-down of £0.200m due to impaired goodwill, the same as last year
- Group net assets at £4.978m after goodwill impairment compared to £5.140m last year
- Loss per share of 0.11p compared to a profit per share of 0.005p last year
- Final dividend of 0.5p proposed, making a total of 1.0p for the year, matching the 1.0p paid last year

	31.3.20	31.3.19
	£	£
Profit before tax	**4,999**	42,494
Less: interest received	**(1,990)**	(303)
Add: interest paid	**–**	1,514
Add: depreciation	**52,194**	38,179
Add: impairment B2BSG Solutions Limited goodwill	**200,000**	200,000
Less: net gain on sale of property	**–**	(166,270)
Underlying EBITDA*	**255,203**	115,614

* Underlying EBITDA is calculated as earnings before interest, tax, depreciation, impairment charges and non-recurring costs. This is used by the board as a measure of underlying trading and has been provided to assist shareholders in understanding the Group's trading activities.

The Company confirms that, subject to shareholder approval at the AGM, the final dividend of 0.5p will be payable on 16 October 2020 to shareholders on the register on 2 October 2020.

CHIEF EXECUTIVE OFFICER'S REPORT

On behalf of the board, I present my review of the Group's activities and performance during financial year 2019-20, along with a commentary about the Group's plans and expectations for 2020-21.

GENERAL BUSINESS REVIEW AND OUTLOOK

Trading for the year ended 31 March 2020 showed consolidated Group revenue of £4.438m (31 March 2019: £5.215m) and EBITDA of approximately £255,000 for the period. In the previous year, the Group recorded EBITDA of £116,000 (excluding an exceptional gain from the sale of an unused property).

Sales within B2BSG Solutions Limited, the Group's security division which predominantly serves the high street retail sector, continued to decline during the year, as a result of the ongoing struggles within the high street retail sector impacting on the demand for our services. Revenues in the security division fell to £1.9m (31 March 2019: £2.7m), accounting for 43% of Group revenues compared with 52% in the previous year. As a result, the board considered the carrying value of its security division and decided that a further impairment of £0.2m (31 March 2019: £0.2m) was appropriate.

Revenues in the Group's health, safety and management systems businesses remained stable at £2.5m (31 March 2019: £2.5m), though accounted for 57% of the Group's overall revenue (31 March 2019: 48%).

Various actions were taken to mitigate the effect of lower sales across the Group as a whole, which led to cost savings in a number of areas. In particular, there were lower overheads and premises-related savings across the Group. The security division, whilst still loss-making, saw an improvement overall and further commentary regarding this subsidiary and the other companies within the Group appear later in this report.

Impact of COVID-19

The specific impact of COVID-19 on each subsidiary is provided later in this report, though from a Group-wide perspective the pandemic had a marginally adverse impact on the year ended 31 March 2020. The financial consequences of COVID-19 will largely be seen in 2020-21, though are at this stage very difficult to quantify due to the uncertainty of how the UK economy will respond to the on-going COVID-19 pandemic. The trading update on page 5 provides figures for Q1 of 2020-21.

Cash at bank stood at £756,000 at year end. Due to concerns about cash flow during the COVID-19 pandemic, the Group exercised an option to defer payment of VAT due for Q4 of 2019-20 but has recently made these payments in full (£162,410) to HMRC.

The Group continues to enjoy a strong cash position and has an undrawn facility with HSBC plc, renewed in October each year and currently agreed at £50,000, having been reduced from £150,000.

Since the start of the pandemic, the Group has reviewed staffing levels and has made five posts redundant, including three at the security division. In addition, the Group furloughed a number of staff under the Government's Job Retention Scheme. All except one subsidiary has taken advantage of the furlough arrangements, with up to half of the Group's staff furloughed at the peak of the crisis.

Our priority has been the health, safety and wellbeing of customers and staff, and our expertise in the field of health and safety has enabled us to continue to provide various services to existing clients. We have also been able to acquire new clients who commissioned us to assist with enabling them to provide COVID-Secure environments so that they could return to work.

All Group directors elected to take a 20% reduction in pay from 1 May 2020 for the duration of the furlough scheme.

Net asset value

As at 31 March 2020, the Group's consolidated net assets stood at £4.98m (2019: £5.14m). There were 14,677,257 ordinary shares in issue at that date which equates to a net asset value per share of 34p.

As we have previously stated, the Company's ordinary shares continue to trade at a substantial discount to the net asset value. We recognise that there is a value of goodwill on the balance sheet and we review this each year to ensure that the value is fairly stated. In each of the past two years, the board has taken the decision to reduce the carrying value of our security division by £200,000, and we have done the same thing in 2019-20 in line with good accounting practice. The write-down represents a reduction of approximately 4% in the consolidated net assets of the Group. The board remains satisfied that all other goodwill valuations can presently be justified.

Outlook

Whilst the effect of COVID-19 on the economy is the greatest concern for the Group, this does not reduce the potentially negative effects of the lack of specific terms on which the UK will trade with the European Union (EU) at the end of the transition period this year. That matter was causing some clients to delay certain investment decisions, and this is exacerbated by the uncertainly brought about by the pandemic. We may also be affected positively or negatively by future Government fiscal measures to assist the recovery of the UK economy and we will pay close attention to such decisions as they are announced. In the context of our security division, an important general economic factor is the purchasing power of sterling as a weaker pound erodes our gross margins. The closure of many retail premises is also a critical factor as the move to online shopping accelerates.

Trading update

Unaudited management accounts for the first quarter of 2020-21 indicate that Group revenues were £0.82m and generated an EBITDA of £108,300. This compares with total revenues of £1.08m for the first quarter of 2019-20 and an EBITDA of £84,600.

Dividends

A total dividend of 1.0p per ordinary share, (£146,772) was paid in respect of the year ended 31 March 2019. An interim dividend of 0.5p in respect of the year ended 31 March 2020 was paid in February 2020 and, subject to shareholder approval, a final dividend of 0.5p, to be paid from earnings from the year ended 31 March 2020, is proposed for payment in October 2020, matching the total of 1.0p paid last year.

PERFORMANCE BY TRADING SUBSIDIARY

The Group currently measures the following key performance indicators.

Total revenues

Total revenues are reviewed each month across the Group to provide the board with a ready measure of how well the Group and underlying businesses are performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate. Consolidated Group revenues for the year decreased by 15% as a result of the reduction in revenue from the security division.

Earnings before interest, taxation, depreciation, amortisation and non-recurring costs (underlying EBITDA)

After allowing for exceptional adjustments, the Group saw an increase in EBITDA from £115,600 in 2018-19 to £225,200 in 2019-20 due to lower overheads and premises-related savings across the Group.

Staff turnover

Staff turnover is monitored as 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. In the year to 31 March 2020 the average number of staff employed across the Group was 49, down from 58 in the previous fiscal year. The decrease came from natural wastage where leavers were not replaced.

Pre-tax profit/(loss) per subsidiary before Group management charges

Profits before tax and management charges are reviewed by each subsidiary and by the board every month to establish whether each subsidiary is trading profitably and to determine whether intervention is necessary. To provide a more accurate picture of the performance of each subsidiary, the cross-charging of consultants between subsidiaries has been introduced so that the cost of labour is met by the invoicing company rather than the subsidiary providing that labour.

A review of the activities of each trading subsidiary is provided below. The profit figures stated are before tax, central management charges and impairment charges. The management charges are the individual subsidiary's contribution to Group overheads and are not directly attributable costs.

B2BSG Solutions Limited (B2BSG)

- 2020: revenues of £1,915,200 yielding a loss of £90,800
- 2019: revenues of £2,724,000 yielding a loss of £137,400

The fall in revenue reflects the reduced demand from B2BSG's primary sphere of operation which remains the retail sector which has continued to suffer as a result of weaker consumer demand on the high street and the move towards on-line purchasing which has accelerated during the COVID-19 pandemic. Over £165,000 was saved in lower staff salaries and associated expenditure through restructuring and non-replacement of leavers. There were no redundancy payments necessary in this process.

There are bad debts of £18,730 provided for in the accounts. These stem mainly from a second period of administration by a large client, Debenhams, who have proposed a Company Voluntary Arrangement for their UK businesses and have closed their estate in Ireland entirely.

Selling into the retail sector remains challenging and the COVID-19 pandemic will have a large effect on our client base. Any further material deterioration in the retail sector and specifically in B2BSG's client base may have a significant negative effect on B2BSG's and hence the Group's prospects. In the meantime, B2BSG is making use of available business grants and the Government's Job Retention Scheme and looks forward to an increase in demand once high streets are able to recover.

Inspection Services (UK) Limited (ISL)

- 2020: revenues of £230,800 yielding a profit of £37,400
- 2019: revenues of £232,600 yielding a profit of £43,500

ISL ended the year with marginally lower sales and a slight increase in total costs compared with the prior year. ISL offers a fairly narrow range of specialised services directly to clients and, for the most part, through insurance brokers. The work involves the statutory examination and inspection of workplace plant and equipment where plant failure may lead to a serious risk of injury. This includes lifting plant and equipment, pressure vessels, power presses and baling machines.

Early in the COVID-19 pandemic, the Health and Safety Executive (HSE) notified duty holders across the UK that the obligation to have plant and equipment examined in line with statutory frequencies was not being relaxed. Our professional association, the Safety Assessment Federation, in consultation with the HSE, deemed us to be "key workers". This enabled ISL to carry on trading as normal, subject to complying with appropriate safety protocols to safeguard staff and those they may encounter in their work and as a result, demand has remained stable during since the financial year end.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2020: revenues of £763,600 yielding a profit of £302,500
- 2019: revenues of £657,100 yielding a profit of £278,000

Income from PHSCL's flagship product, the Appointed Safety Advisor Service was around 10% down year on year. However, consultancy income from non-retained clients more than doubled to around £225,000. In addition, revenue from training courses was up by £20,000.

Despite the reduction in revenue from the Appointed Safety Advisor Service, PHSCL derives most of its income from this product. There was some client churn, though generally client retention is good and has not been unduly affected by the COVID-19 pandemic.

PHSCL continues to meet the accreditation requirements for the ISO 9001 quality management standard, having held this "kitemark" for 23 years since becoming the first organisation of its kind to achieve the standard.

Since the financial year-end, COVID-19 has had an effect both on PHSCL and the clients we serve. There has been demand for consultancy advice in relation to preparing COVID-Secure workplaces and this has introduced us to a number of clients for whom we have not worked before. Once a degree of normality returns, we would hope to build on those relationships by offering other services.

QCS International Limited (QCS)

- 2020: revenues of £756,700 yielding a profit of £220,900
- 2019: revenues of £759,500 yielding a profit of £242,300

QCS maintained a good level of both sales and profits and performed as expected over the year. Assisting with the introduction of management standard ISO 45001 (for health and safety) and work assisting clients on ISO 27001 (information security) more than offset the loss of work in the previous year relating to the transition to new quality and environmental standards.

Sales in public training and consultancy services remained strong. Full advantage was made of the investment in new training facilities that are now able to accommodate additional delegates. However, in-house training sales weakened, and this caused total sales for the year to end marginally below those for 2018-19. An internal target to increase public training sales by 12% over the period was achieved. Efforts will continue to promote in-house services and reduce the decline in that area. Consultancy sales remained consistently strong throughout the year, posting growth of 7%. QCS continues to enjoy exceptionally high levels of repeat business and has developed a loyal customer base across many economic sectors.

Departure from the EU has not yet directly affected sales, though a significant proportion of medical device work is linked to an ability to offer services linked to EU regulation. QCS now offers a 'UK Responsible Person' service in the event of a no-deal conclusion to the transition period which may present some opportunities, acting as a UK address for manufacturers of medical devices within the remaining EU. To date there have been an encouraging number of enquiries regarding the service. The weakness of sterling has the potential to work in QCS's favour.

Quality Leisure Management Limited (QLM)

- 2020: revenues of £353,400 yielding a profit of £75,700
- 2019: revenues of £437,600 yielding a profit of £106,500

QLM made a profit before tax and central management charges of £75,711, compared to £106,576 in the previous year.

Retained client renewals remained largely the same in comparison to the previous period. Small deviations are seen as contracts between local authorities and QLM clients change, or smaller clients are absorbed by larger operators though there remains a strong need for QLM's expertise with clients placing significant reliance on its services.

Although the support service remains a stable source of income, audit income fell significantly compared to the same period last year. Savings and cost cutting exercises across many local authorities has seen a knock-on effect to the resources of leisure trusts and other QLM clients. In addition, auditing functions are more frequently tackled internally by clients leading to less need for external verification and auditing.The impact of COVID-19 remains to be seen and will depend on what support is given to the sector by local authorities and central Government.

Training is a core income stream and remained generally consistent with previous years. The most popular courses were IOSH Managing Safely and QLM's own (CIMSPA Endorsed) Health and Safety Management in Leisure and Culture Facilities.

One full-time consultant left the business in October 2019 and was not replaced which led to greater use of sub-contractors.

RSA Environmental Health Limited (RSA)

- 2020: revenues of £418,100 yielding a profit of £83,500
- 2019: revenues of £404,300 yielding a profit of £66,700

Revenue for the year was up by 3.4% to £418,100. Costs were effectively controlled, and this led to gross profit margin of 53% (2019: 52%).

Integration of the Envex brand into RSA has brought in some much-needed skills which have aided service delivery to our existing clients, reducing the need to rely on contractors and associates.

Whereas in previous years the focus of RSA has been on the SafetyMARK brand, providing safety services to the schools sector, this year has seen the revenues fall into four main categories; training, health and safety consultancy, food safety consultancy and SafetyMARK. This has widened the focus and spread some of the risk, leaving RSA potentially less exposed in the future.

SafetyMARK, whilst remaining the main focus, saw revenues fall within the financial year to around £90,000. This can be partially accounted for by a number of postponed audits at short notice within the last quarter. This happened due to a combination of staffing changes at key schools and the start of the COVID-19 pandemic. There was also an impact on this sector by RSA diverting its attention to fulfilling a large contract in the hospitality sector. However, demand for safety services in schools remains strong and is expected to pick up when schools are fully open in September 2020.

Training income has seen an increase due to the numbers of courses being provided to clients compared to the previous year.There continues to be demand for some of our public courses within the schools sector and for our IOSH accredited school courses. Training was not unduly affected by COVID-19 in March, with only a couple of courses having to be postponed to the next financial year

Health and safety consultancy saw the biggest change in demand for the year 2019-20 as a result of the large contract in the hospitality sector previously mentioned. This generated significant revenues for RSA but was very heavy in administrative terms.

Food safety consultancy saw strong demand, but the impact of COVID-19 saw an end to the ability to continue with auditing of our regular clients. All clients have stated that they will restore the audit programmes as soon as the various sectors are allowed to open.

PHSC plc

- 2020: net loss of £424,100 before management charges, exceptional costs and dividends received
- 2019: net loss of £523,700 before management charges, exceptional costs and dividends received

The Company incurs costs on behalf of the Group and does not generate any income. The costs incurred by the Company represent the costs of running an AIM quoted Group. The reduction in costs is due to changes in staffing arrangements between the Company and the subsidiaries. Costs in all other respects are consistent with the previous year.

PRINCIPAL RISKS AND UNCERTAINITIES

Pandemic

The coronavirus pandemic involving the spread of COVID-19 has presented several different risks to the business. The spread was rapid and the global repercussions unprecedented.

As Government guidance evolved, a comprehensive plan was developed and updated by the directors to minimise the risk to staff, customers and business continuity. This was circulated to all staff and contained measures to maintain business productivity whilst protecting the health of employees, customers, and other stakeholders. The plan was monitored and revised in response to new information published by Public Health England. Guidance was also published on the website for staff, customers, and prospects to access.

The risk of employees contracting the virus, resulting in loss of key staff to illness was mitigated by working from home being encouraged wherever appropriate. Vulnerable workers were identified and asked to shield, and employees contacted regularly to monitor welfare. A skeleton staff remained in the head office to minimise numbers present whilst at the same time maintaining business continuity. Social distancing was exercised, and hand sanitiser provided.

Where consultants were required to visit clients' premises, mainly to advise on COVID-19 related topics, face masks and disposable gloves were issued. Consultants were asked to use their own vehicles to commute rather than take public transport. A focus was to protect PHSC's reputational risk by ensuring staff adhered to Government guidelines. In the short term, all classroom training was ceased.

The risk of poor communication during the pandemic was mitigated using Microsoft Teams and Zoom to keep in touch with staff and clients. The operational directors met via Zoom each week for a business update and to share knowledge and best practice. Board meetings were also undertaken as scheduled via Zoom.

In terms of lost revenue and profit, the impact in the year ended 31 March 2020 was immaterial though the full effect will be felt in the new financial year. The UK lockdown has inevitably led to a loss of business and revenue, as schools, leisure facilities, shops and pubs/restaurants make up a significant portion of the Group's customer base. An exception to this is ISL, where the Health and Safety Executive did not relax the obligation to have plant and equipment examined in line with statutory frequencies. The engineers were deemed key workers and ISL was able to carry on trading as normal, subject to complying with appropriate safety protocols to safeguard staff. Another mitigating factor is the uninterrupted subscription income received by some of the subsidiaries which provides a base of ongoing revenue. It is also fortunate that the expertise within the Group in the field of health and safety has enabled various services to continue to be provided to existing clients and new clients have been secured who commissioned assistance with the provision of COVID-Secure environments. Income from the Government Job Retention Scheme and Business Grants have also played a key role in maintaining cash flow.

In terms of liquidity risk, the Group had a strong cash position at the year end and the start of lockdown. Good credit control has been maintained by the head office staff and with the income from the Government's schemes, the Group has remained cash generative. Payment of VAT for Q4 was initially delayed in line with an HMRC concession but was subsequently settled in full.

Although the economic outlook remains uncertain, the discipline of forecasting has been maintained, though initially with a reduced horizon. Expectations for the first half of 2020-21 are that with the continued use of Government funding assistance, the Group should do no worse than break even and will maintain a strong cash position.

Regulatory/Marketplace

Approximately 50% 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, through investing in its security businesses and is exploring non-regulatory areas of environmental work to add to the current portfolio of services.

In the event of a "no deal" end to the post-Brexit transition period, the Group's security division will take appropriate steps to ensure that sufficient supplies are held of relevant products to meet the predicted needs of customers. In doing so, customers can expect more frequent requests to forecast their likely requirements over longer time horizons than usual. The security division is already dealing extensively with a wide range of imported goods, some from within the EU and others from countries beyond the EU. It is therefore well-versed in customs processes and expects to be able to apply the same or similar processes to imports from within the EU (albeit at potentially different tariff rates) should that prove necessary under a "no deal" Brexit. Matters outside the Group's control would include delays caused at customs if administrative demands on border officials are suddenly increased, resulting in slower clearance times for imported goods.

There are predictions by economists that the value of sterling may deteriorate if the UK and EU cannot reach a trade deal by the end of the transition period. Whilst the Group will take reasonable steps to hedge against the effects of a weaker pound, customers are being advised to consider pre-ordering and/or increasing their stock levels of those products supplied by the Group's security division which they see as critical to their business. Higher stock levels would have the double benefit of reducing the risk of an interruption to supply, and mitigating the impact of price rises that would ultimately work their way through to all imported goods if there is a materially weaker exchange rate. The warehouse at B2BSG has the capacity for storage of additional products and close partnership with logistics providers will allow access to further warehousing space should that prove necessary.

The Group's security division works almost exclusively in the retail sector and this has continued to suffer as a result of weaker consumer demand on the high street and the move towards on-line purchasing which has accelerated during the COVID-19 pandemic. Any further material deterioration in the retail sector and specifically in B2BSG's client base may have a significant negative effect on the Company's and hence the Group's prospects.

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. The subject of IT security is regularly reviewed by the board to ensure that appropriate strategies are in place.

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 and internet search engines favour local providers. With offices in Kent, Berkshire, Northamptonshire and Scotland, the Group has a good geographical spread.

Licences

The Group is reliant on licences and accreditations 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 will 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.

SECTION 172 STATEMENT

The Companies (Miscellaneous Reporting) Regulations require large companies to publish a statement describing how the directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006. These sections require directors to act in a way most likely to promote the success of the Group for the benefit of its stakeholders and with regard to the following matters.

The likely consequences of any decision in the long-term.

The board receives an annual business plan from the director of each subsidiary company, which forms the basis of the Group's strategic plan. The board requires that the plans include financial forecasts, KPI's, marketing strategy and an analysis of strengths, weaknesses, opportunities, and threats. Subsidiary directors, via the Groups operational board of which they are members, consider the implications of their own plans in the context of what others within the Group are intending to do and the opportunities for synergies are explored. Any proposed actions that may adversely affect another subsidiary are flagged at operational board level and are resolved. Subsidiary directors are challenged on the content of their plans and the assumptions they have made, to ensure that the plans are realistic and achievable. Once agreed by the board, this plan, at Group and subsidiary level, is used as the benchmark against which to assess performance.

The interests of the Group's employees

As the Group is mainly involved in the supply of services, the board considers the staff to be the greatest asset and the interests of employees are taken into consideration in all decisions made. Each subsidiary company within the Group has in place the necessary structures to ensure effective communication with its employees. The subsidiary directors meet once a quarter and relevant information is shared with employees via team meetings held at subsidiary level. The views of employees are heard in a similar fashion, initially at team meetings, and ascending to the operational board and the main board if appropriate. There is an annual budget for staff training in recognition that the performance of the Group can be improved by the development of its employees.

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. During the year, a review was conducted to identify any gender-related pay anomalies across the Group and as at the date of this report, there are no known anomalies in any subsidiary that would fall into this category.

The need to foster the Group's business relationships with suppliers, customers, and others.

The Group seeks to treat suppliers fairly and adhere to contractual payment terms. The Group works with its suppliers to help drive change through innovation, promoting new ideas and ways of working. The Group has zero-tolerance to modern slavery and is committed to acting ethically and with integrity in all business dealings and relationships. The

Group policy for Modern Slavery and Human Trafficking contains systems and controls to ensure that these activities are not taking place anywhere in the subsidiaries or throughout the Groups supply chains.

The Group also has zero-tolerance with regards to bribery, made explicit through its Anti-Bribery and Corruption Policy. This covers the acceptance of gifts and hospitality and any form of unethical inducement or payment including facilitation payments and "kickbacks". The policy sets out the responsibilities of directors, employees and contractors and details the procedures in place to prevent bribery and corruption.

Each subsidiary is focussed on its customers. Communication takes many forms and is structured according to how each subsidiary interacts with its client base. Channels of communication include quarterly newsletters in hard copy and/or sent electronically, customer roadshows, various social media platforms and regular client meetings. An ongoing dialogue is held electronically, with most clients subscribing to email updates that are sent out periodically. There is also interaction through social media platforms such as Twitter, LinkedIn and Facebook where appropriate.

Stephen King is the principal contact between the Company and its investors, with whom he maintains a regular dialogue. The Company is committed to listening to and communicating openly with its shareholders to ensure that its business model and performance are understood. Regular announcements are made to the market and the AGM provides a forum for information dissemination, discussion, and feedback.

The impact of the Group's operations on the community and the environment

The board's intention is to behave responsibly and ensure that management operates the business in a responsible manner, complying with high standards of business conduct and good governance. The Group has a long tradition of supporting local causes through sponsorship and community involvement, details of which can be found on the PHSC plc website (www.phsc.plc.uk). 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.

GOING CONCERN

Company law require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. COVID-19 and the Government-imposed lockdowns and restrictions are inevitably having an impact on the Group's ability to trade normally. In terms of lost profit, a relatively small impact was felt in the year ended 31 March 2020 though the board's expectations for the new financial year have had to be significantly revised. Mitigating factors are the strong cash position at the start of lockdown, income from statutory examination of equipment (a requirement not relaxed during the pandemic), continuation of subscription income, demand for COVID-19 Secure risk assessments, and income from the Government job retention and business grant schemes. The Group's expectations and current banking facilities indicate that the Group has adequate resources to continue in operational existence for the foreseeable future. Consequently, 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 their hard work and effort during these unprecedented times. The board acknowledges the valuable work carried out by every employee and recognises that it is reliant upon each individual member of staff and management if it is to succeed and prosper.

On behalf of the board

Stephen King
Group Chief Executive

19 August 2020

REPORT OF THE DIRECTORS

for the year ended 31 March 2020

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2020.

DIRECTORS

The directors who held office during the year under review were:

S A King
N C Coote
G N Webb MBE
L E Young

DIVIDENDS

A total dividend of 1.0p per ordinary share, (£146,772) was paid in respect of the year ended 31 March 2019; half was paid in February 2019 and the balance in October 2019. An interim dividend of 0.5p in respect of the year ended 31 March 2020 was paid in February 2020 and a final dividend of 0.5p is proposed for payment in October 2020, matching the total of 1.0p paid last year. The Company confirms that, subject to shareholder approval at the AGM, the final dividend of 0.5p will be payable on 16 October 2020 to shareholders on the register on 2 October 2020.

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 55.

SHARE CAPITAL

The issued share capital of the Company throughout the financial year was 14,677,257 ordinary shares of £0.10 each.

DATA PROTECTION

The Company has a policy to meet the requirements of the General Data Protection Regulations (GDPR) and this has been issued across the Group.

SUBSTANTIAL SHAREHOLDINGS

As at 19 August 2020, the following persons had notified the Company of an interest of 3% or more of its issued share capital.

Name	No. of ordinary shares	% of issued share capital
S A King	3,190,000	21.73
N C Coote	3,144,342	21.42
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	1,071,440	7.30
Downing LLP held via Downing ONE VCT	510,767	3.48
James Faulkner	455,000	3.10

PROVISION OF INFORMATION TO AUDITOR

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

ANNUAL GENERAL MEETING

This year's AGM will be held at 10.00 a.m. on Wednesday 30 September 2020 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 64 to 66 of this document and a form of proxy is on page 68. Considering the UK Government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings, physical attendance at the Company's AGM may not be permitted. Shareholders are encouraged to vote electronically or appoint the chair as their proxy with their voting instruction.

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 are laid before shareholders in general meeting.

Dividend (Resolution 2)

As noted above, the directors recommend a final dividend of 0.5p per share. If approved, the final dividend will be paid on 16 October 2020 to shareholders on the register of members at the close of business on 2 October 2020.

Re-election of directors (Resolution 3)

Under the Company's articles of association, Graham Webb MBE retires by rotation and offers himself for re-election.

Appointment of auditor (Resolution 4)

A resolution for the re-appointment of Crowe U.K. LLP as the Company auditor will be put to the AGM together with the usual practice of authorising the directors to determine the auditor's fees.

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

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings.

Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 30 September 2021, to allot securities up to an aggregate nominal amount of £489,242 being equivalent to one third of the Company's issued share capital as at 19 August 2020.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 30 September 2021, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to an aggregate nominal amount of £293,545 being equivalent to 20% of the Company's issued share capital of the Company as at 19 August 2020. It is intended to renew this authority and power at each annual general meeting.

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

Resolution 7 authorises the Company, until the earlier of next year's AGM or 30 September 2021 to purchase in the market up to a maximum of 2,201,589 ordinary shares (equivalent to approximately 15% of the issued share capital of the Company as at 19 August 2020) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange) 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, though due to the ongoing Government restrictions on social distancing and public gatherings, shareholders are reminded that physical attendance in person at the AGM may not be permitted. The Company encourages shareholders to vote electronically, or to appoint the chair as their proxy with their voting instructions. 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

Since the year end, the easing of the lockdown has increased business activity with many fee earning staff returning to full employment or partial employment through the flexible furlough scheme. Five members of staff have been made redundant since the year end, three in the retail security division where the speed of economic recovery is less certain. The Group's working practices are successfully adapting to the new environment and some face to face training courses are starting to take place.

On behalf of the board

SGH Company Secretaries Limited
Secretary

19 August 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2020

The directors are responsible for preparing the strategic report, the directors' report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company 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 EU 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 Group and parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 and regulations in the UK.

The maintenance and integrity of the PHSC plc website is the responsibility of the directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors 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 2020

Dear Shareholder,

The board has an obligation to ensure that good standards of corporate governance are embraced throughout the Company and its subsidiaries (together, the "Group"). As a board, we set clear expectations concerning the Group's culture, values and behaviours. Our values are to ensure our customers receive quality service and support, our customers, staff and other stakeholders are treated fairly and equally and that we develop our staff so they can provide the most innovative and effective solutions. We firmly believe that by encouraging the right way of thinking and behaving across all our people, our corporate governance culture is reinforced, enabling us to drive our premium, customer-focussed, people-led strategy and deliver value for our stakeholders.

It is the board's job to ensure that the Group is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to our business.

In September 2018 the Company adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in line with amendments to the AIM Rules which now require all AIM quoted companies to adopt and comply with a recognised corporate governance code.

The below statement sets out how the Company complies with the 10 principles of the QCA Code.

Stephen King

Chair

ESTABLISHING STRATEGY AND BUSINESS MODEL

The Group is dedicated to being a leading provider of health, safety, hygiene and environmental consultancy services and security solutions to the public and private sectors.

The board sets the Company's strategy and monitors its implementation through management and financial performance reviews. It also seeks to ensure that adequate resources are available to implement the Company's strategy in a timely manner. The Company has set out a strategic plan to promote long-term value creation for shareholders and will update all shareholders on this in the annual report each year.

The board meets on a regular basis to discuss the strategic direction of the Group and any significant change will be highlighted promptly.

Further information on the Group's strategy, performance and outlook can be found within the strategic report on pages 3 to 12.

UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS

The Company remains committed to listening to, and communicating openly with, its shareholders to ensure that its strategy, business model and performance are clearly understood. The AGM is a forum for shareholders to engage in dialogue with the board. The results of voting at the AGM will be published via a regulatory information service and on the Company's website.

Stephen King is the principal contact between PHSC plc and its shareholders, with whom he maintains a regular dialogue. The views of shareholders are communicated to the whole board. The Company's progress on achieving its key targets is regularly communicated to investors through its announcements to the market.

The Company also uses other professional advisers such as a nomad, broker, auditor and company secretary who provide advice and recommendations on shareholder communication.

CONSIDERING STAKEHOLDER AND SOCIAL RESPONSIBILITIES

The board recognises its responsibilities to stakeholders including staff, suppliers, customers and the community within which it operates. The heads of each of its operating subsidiaries provide regular feedback to the executive directors, who then ensure that the board as a whole is informed of any major developments.

The Group's initiatives in relation to its employees are detailed in the section 172 statement on page 11.

EMBEDDING EFFECTIVE RISK MANAGEMENT

The board regularly reviews the risks facing the business as outlined on pages 9 to 11 and the internal controls which are in place to address these risks. Each operating subsidiary has reviewed its business and identified the key risks which it faces. As a result, plans have been put in place to deal with various contingencies which might arise. 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 for the business.

The Group's operations expose it to a variety of financial risks which are outlined in note 1 to the financial statements on page 36.

MAINTAINING A BALANCED AND WELL-FUNCTIONING BOARD

It is the role of the board to ensure that the Company is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Good corporate governance is an important contributor, reducing risk and adding value to PHSC plc. The board will continue to monitor the governance framework of the Company.

The board comprises four directors, of which two are executive and two are non-executive, reflecting a blend of different experience and backgrounds. The chair of the board is Stephen King, who is also the group chief executive. He oversees the financial position of the Group on a day to day basis with assistance from the group accountant. Nicola Coote is the deputy group chief executive and she leads on the Group's marketing initiatives and oversees PHSCL. Graham Webb and Lorraine Young are the non-executive directors, whom the board considers to be independent.

The board sets direction for the Company and has a formal schedule of matters reserved for its decision, including Group strategy, approval of major capital expenditure, approval of the annual and interim results, annual budgets, dividend policy and board structure. The board monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets, their performance in relation to those budgets and their capital expenditure. The board delegates day-to-day responsibility for managing the business to the executive directors and the operational board.

The QCA Code recommends that the chair and chief executive should not be the same person. Currently Stephen King, the group chief executive, is also the Company's chair. As the board is comprised of only four members, two of whom are independent non-executive directors, the directors are of the view that there is no need to split these roles. For the same reason the board has not appointed a senior independent director.

Graham Webb has served on the board for 15 years. The board is of the view that he retains his independent judgement and continues to make a valuable contribution to the board. Regular board meetings are held (a minimum of four per year) and other meetings are scheduled as required. Brief biographical details of the directors can be found below:

Stephen King

Group Chief Executive and Chair

Stephen King co-founded PHSCL in 1990 with Nicola Coote. He has over 35 years' experience in health and safety management, having qualified in 1985. He left a role as personnel manager at Delta Enfield Cables Ltd in 1986, moving to the News International printing facility at Wapping, London. At News International, he was occupational health and safety manager, in charge of a team of practitioners responsible for the well-being of over 4,000 staff. In 1990, he joined Reuters plc as UK health and safety manager. He left employment with Reuters plc in 1992 and continued to service their health and safety requirements through PHSCL. He has acted as secretary of the south east branch of the Institution of Occupational Safety and Health and served a two-year term as chair of the London Occupational Health and Safety Group by whom he was granted honorary life membership. He chaired the annual Tolley Health and Safety Conference for three successive years and has presented papers at several conferences. He chaired the Kent Health and Safety Consultants Forum, a group set up by the Health and Safety Executive with a remit of improving the standard of advice given by all independent safety consultants in the county, for the whole of its six-year existence. Currently he is chair of Kent Executive Club, a long-established group that promotes links between business people across the county. His other activities include serving as a trustee of a local animal sanctuary and chairing a semi-professional women's football team.

Nicola Coote

Deputy Group Chief Executive and Deputy Chair

Nicola Coote co-founded PHSCL in 1990 with Stephen King, after working with him in occupational safety and health at both News International and Reuters plc. She left employment at Reuters plc in 1992 and continued to service their health and safety requirements through PHSCL. Nicola's role includes heading the marketing function of PHSC plc. Nicola has served as secretary of the south east branch of the Institution of Occupational Safety and Health (IOSH) and has chaired the annual Tolley Health and Safety Conference. She was the first female Fellow of IOSH in the south of England and supports the Institution by sitting on the panel for applicants applying for Chartered Membership and Chartered Fellowship status. She has been a national examiner for the National Examination Board in Occupational Safety and Health and continues to work on the editorial board of Lexis Nexus Butterworth Tolley, whilst being a contributor to their publication "Tolley's Health & Safety at Work Handbook". Nicola is the vice chair of a Board of Governors at a secondary school, which is part of a multi-academy trust.

Graham Webb MBE

Non-Executive Director

Graham Webb was appointed a non-executive director of PHSC plc in June 2003. He served as a Kent Ambassador for 12 years, appointed by Kent County Council. Prior to its sale, Graham was chairman in the UK for many years of the international hair and beauty group that bears his name. The US company was sold to Wella and subsequently acquired by Procter & Gamble for whom Graham served in North America as their goodwill ambassador for 6 years. He was chairman of the Institute of Directors, Kent branch, from 1996 to 1999 and was appointed as a member of the Confederation of British Industry South Eastern Regional Council (1994 to 2000). Graham was chairman of the Kent Business Awards for 9 years and chairman of the Kent Excellence in Business Awards for 3 years. His charitable activities include being an ambassador for the Kent Association for Spina Bifida and Hydrocephalus. As chairman of the Kent and Medway NSPCC Full Stop Appeal, Graham helped raise over £460,000. In the 2005 New Year Honours list, Graham was awarded an MBE for his services to business, and charity in Kent. Graham is chairman of the remuneration committee and is a member of the audit committee.

Lorraine Young

Non-Executive Director

Lorraine Young was appointed a non-executive director of PHSC plc in April 2016. Lorraine runs a board advisory practice and is also a non-executive director of City of London Group plc, an AIM listed company in the financial services sector. Lorraine is a past president and Fellow of the Chartered Governance Institute. She has held senior governance roles at several blue-chip companies, including Standard Chartered plc and Brambles Industries plc. She ran her own company secretarial and corporate governance advisory practice for 13 years, which in 2016 she merged with the company secretarial team at Shakespeare Martineau, where she was a partner. She left the firm in February

2019 to pursue her own consultancy interests once more. She is an accredited mediator and honorary treasurer to the Worshipful Company of Chartered Secretaries and Administrators, one of the modern livery companies. Lorraine is chair of the audit committee and is a member of the remuneration committee.

MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES

The board

In addition to the information given under principle 5 above, the chair is responsible for the leadership of the board and is pivotal to fostering a culture that adopts good corporate governance. The chair, together with the rest of the board sets direction for the Company through a formal schedule of matters reserved for its decision which are set out under principle 5.

Independence of directors

At present, the Company has two independent non-executive directors, Graham Webb MBE and Lorraine Young.

Time commitments

The non-executive directors are expected to commit sufficient time to fulfil their duties in that role. All current executive directors work full-time.

Attendance at meetings

	Board	**Audit**	**Remuneration**
Stephen King*	4/4	2/2	–
Nicola Coote*	3/4	1/2	–
Graham Webb	4/4	2/2	1/1
Lorraine Young	4/4	2/2	1/1

* Stephen King and Nicola Coote are not members of the audit and remuneration committee, though they are both invited to attend committee meetings as and when required.

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 were reviewed during the year and 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.

Audit committee

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. A risk register has been set up which is kept under regular review. 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.

Remuneration committee

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. The members of the committee maintain knowledge and awareness of the latest regulatory requirements and current market practice. 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.

Directors' remuneration

The remuneration of the executive directors was as follows:

	Year ended 31.3.20 Short term employee benefits					Post employment benefits		Year ended 31.3.19
	Salary	**Bonus**	**Waiver**	**Pension salary sacrifice**	**Benefits**	**Pension**	**Total**	Total
	£	**£**	**£**	**£**	**£**	**£**	**£**	£
S A King	**90,750**	**1,721**	**(6,100)**	**(13,728)**	**2,638**	**17,780**	**93,061**	**93,364**
N C Coote	**71,250**	**1,721**	**–**	**(5,400)**	**2,217**	**8,693**	**78,481**	**78,359**

The benefits relate to health insurance and both directors opted to take their bonus as a pension contribution. The board agreed to increase the salary of Stephen King and Nicola Coote from 1 January 2020 to £93,000 and £75,000, respectively.

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

	Year ended 31.3.20	Year ended 31.3.19
	£	£
G N Webb	**15,000**	15,000
L E Young	**15,000**	15,000

Nominations committee

The board has not set up a separate nominations committee. Any matters which would normally be dealt with by such a committee will be considered by the whole board.

EVALUATING BOARD PERFORMANCE

The board has a mix of experience, skills and personal qualities that help deliver the strategy of the Company. The board will ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities to deliver the Company's strategy.

PROMOTING ETHICAL VALUES AND BEHAVIOURS

The Company has a corporate culture that is based on ethical values and behaviours. It will maintain a quality system appropriate to the standards required for a company of its size. The board communicates regularly with staff through meetings and other forms of internal communication. Information is cascaded to staff at subsidiaries via operational board meetings (which are held at least quarterly). The head of each subsidiary attends these meetings with the executive directors. The non-executive directors attend these meetings from time to time to keep up to date with performance and developments throughout the business.

COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Company makes available on its website, historical annual reports, notices of meetings and other publications over the last five years. To date, the board has not published an audit committee report in its annual report and accounts. The board will keep this under review.

SGH Company Secretaries Limited
Secretary

19 August 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2020

OPINION

We have audited the financial statements of PHSC plc (parent company) and its subsidiaries (Group) for the year ended 31 March 2020, which comprise:

- the Group statement of comprehensive income for the year ended 31 March 2020;
- the Group and parent company statements of financial position as at 31 March 2020;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2020

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £28,000 (2019: £38,000), based on a percentage of Group EBITDA.

We use a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the audit committee to report to it all identified errors in excess of £2,500 (2019: £2,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The audit scope was established during the planning stage and was based around the key matters set out below.

All subsidiaries were considered significant components and a full scope audit was undertaken on each of these. The audit approach for each component was consistent with the overall scope of the audit.

The parent and subsidiaries were all audited by Crowe and no component auditors were used.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Goodwill valuations and impairment reviews are considered to be a significant risk due to the size of the balances and application of judgement by the directors.	Impairment reviews were conducted by management based upon current forecasts. We challenged management on assumptions used, conducted sensitivity analysis on key criteria and tested calculations.
Stock is a considered a key matter due to significant amount of stock held at any one time by B2BSG.	We carried out substantive testing on a sample of stock items to check whether stock was being recorded at the lower of cost and net realisable value as well as testing of existence via attendance at the year end stock count. We also reviewed the ageing of stock items and the provisions in place for slow moving stock.
Going concern is considered a key matter due to the current economic climate and due to the fact that one of the Group's subsidiaries has made losses in the current year.	We reviewed forecasts prepared by management along with current financing and post year end trading. We also compared historic forecasts to actual results achieved to assess reasonableness.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2020

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2020

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

Mark Anderson
(Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Maidstone

19 August 2020

Registered number: 4121793

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note	31.3.20 £	31.3.19 £
Non-Current Assets			
Property, plant and equipment	5	**592,539**	488,585
Goodwill	6	**3,278,463**	3,478,463
Deferred tax asset	14	**19,582**	17,627
		3,890,584	3,984,675
Current Assets			
Stock	8	**264,301**	316,556
Trade and other receivables	7	**885,947**	973,130
Cash and cash equivalents	9	**755,919**	642,466
		1,906,167	1,932,152
Total Assets		**5,796,751**	5,916,827
Current Liabilities			
Trade and other payables	11	**622,938**	675,162
Right of use liabilities	13	**34,071**	–
Current corporation tax payable		**40,250**	54,707
		697,259	729,869
Non-Current Liabilities			
Right of use liabilities	13	**69,912**	-
Deferred tax liabilities	14	**51,256**	46,313
		121,168	46,313
Total Liabilities		**818,427**	776,182
Net Assets		**4,978,324**	5,140,645
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,467,726**	1,467,726
Share premium account	10	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Retained earnings		**1,317,117**	1,479,438
		4,978,324	5,140,645

The financial statements were approved and authorised for issue by the board of directors on 19 August 2020, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 31 to 50 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2020

	Note	31.3.20 £	31.3.19 £
Continuing operations:			
Revenue		**4,437,922**	5,215,341
Cost of sales	15	**(2,251,867)**	(2,719,724)
Gross profit		**2,186,055**	2,495,617
Administrative expenses	15	**(1,983,046)**	(2,418,182)
Goodwill impairment	6	**(200,000)**	(200,000)
Other income		**–**	166,270
Profit/(loss) from operations		**3,009**	43,705
Finance income	18	**1,990**	303
Finance costs	18	**–**	(1,514)
Profit before taxation		**4,999**	42,494
Corporation tax expense	19	**(20,548)**	(41,795)
(Loss)/profit for the year after tax attributable to owners of the parent		**(15,549)**	699
Other comprehensive income		**–**	-
Total comprehensive (loss)/income attributable to owners of the parent		**(15,549)**	699
Basic and diluted (loss)/earnings per share from continuing operations	20	**(0.11)p**	0.005p

Accounting policies and notes on pages 31 to 50 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2018	1,467,726	1,916,017	133,836	143,628	1,625,511	5,286,718
Profit for year attributable to equity holders	–	–	–	–	699	699
Dividends	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2019	1,467,726	1,916,017	133,836	143,628	1,479,438	5,140,645
Balance at 1 April 2019	1,467,726	1,916,017	133,836	143,628	1,479,438	5,140,645
Loss for year attributable to equity holders	–	–	–	–	(15,549)	(15,549)
Dividends	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2020	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**1,317,117**	**4,978,324**

Accounting policies and notes on pages 31 to 50 form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Note	**31.3.20** **£**	31.3.19 £
Cash flows from operating activities:			
Cash generated from operations	I	**346,847**	325,587
Interest paid		**–**	(1,514)
Tax paid		**(32,017)**	(9,345)
Net cash generated from operating activities		**314,830**	314,728
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment		**(39,529)**	(69,578)
Disposal of fixed assets		**2,250**	299,495
Interest received		**1,990**	303
Net cash (used in)/from investing activities		**(35,289)**	230,220
Cash flows used in financing activities			
Payments on right of use assets		**(19,316)**	–
Dividends paid to shareholders		**(146,772)**	(146,772)
Net cash used in financing activities		**(166,088)**	(146,772)
Net increase in cash and cash equivalents		**113,453**	398,176
Cash and cash equivalents at beginning of year		**642,466**	244,290
Cash and cash equivalents at end of year		**755,919**	642,466

All changes in liabilities arising from financing relate entirely to cash movements.

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	31.3.20 **£**	31.3.19 £
I. CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	**3,009**	43,705
Depreciation charge	**52,194**	38,179
Goodwill impairment	**200,000**	200,000
Loss/(profit) on sale of fixed assets	**4,430**	(162,338)
Decrease in stock	**52,255**	72,478
Decrease/(increase) in trade and other receivables	**87,183**	595,495
(Decrease)/increase trade and other payables	**(52,224)**	(461,932)
Cash generated from operations	**346,847**	325,587

ACCOUNTING POLICIES

for the year ended 31 March 2020

General information

PHSC plc is a company quoted on the AIM market of the London Stock Exchange plc 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 12. 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 EU, 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.

Company Law requires 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 and in accordance with Financial Reporting Council guidance have provided reasons for this opinion in the going concern section of the strategic report on page 12.

The following standards and interpretations relevant to the Group are in issue but are not yet effective and have not been applied in the financial statements. In some cases, these standards and guidance have not been endorsed for use in the EU.

Standard	Effective date, annual period beginning on or after
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

The new standards, listed above, are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2020.

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. Inter-company transactions (including unrealised gains/losses) and balances 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, 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.

At the date of transition to IFRS, 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, less estimated residual value, of each asset over the shorter of the expected useful life or lease term, as follows:

Freehold buildings	–	2% on a straight line basis
Improvements to property	–	on a straight line basis (10% of cost if expected useful life is shorter than the lease term)
Fixtures and equipment	–	25% on reducing balance basis
Motor vehicles	–	25% on reducing balance basis

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.

Leases

The Group has applied IFRS 16 with a date of initial application of 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The details of the change in accounting policy are disclosed below.

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Group elected to reassess whether there is a lease for all contracts in place on or after 1 April 2019. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied to contracts in place or entered on or after 1 April 2019.

As lessee, the Group previously classified leases as operating, or finance leases based on its assessment of whether the lease significantly transferred all the risks and remains incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises rights-of-use assets and liabilities for most leases i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of equipment and services.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at a cost of capital of 5.0%. The effect of discounting was immaterial to the financial statements, so the values recorded represent the gross undiscounted amounts.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified assets; this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset.
- The Group has the right to obtain substantially all the economic benefits from use of the assets throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used, In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if the Group has the right to operate the asset.

On transition to IFRS 16, the Group recognised an additional £123,399 of right-of-use assets and the impact of discounting was considered immaterial so lease liabilities of £123,399 were also recognised. Therefore, no adjustment to equity at 1 April 2019 was made.

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 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 are tested for impairment at least annually. All property, plant and equipment with a finite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Stock

Stock is stated at the lower of cost and net realisable value after making allowance for obsolete and slow-moving stock. The value of stock 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

During the prior year the Company adopted IFRS 9 'Financial Instruments'. The Company has assessed the impact of IFRS 9 and does not consider the impact material to the financial statements. As a result, the comparative data has not been restated.

Trade receivables and contract assets are initially stated at the transaction price and subsequently measured at amortised cost using the effective interest method. The carrying amounts for accounts receivable are net of allowances for expected credit losses. The Company evaluated the expected credit losses on trade receivables by reviewing historical data, adjusted for forward-looking factors to the debtors and the economic environment. Individual receivables are only written off when management deems them not collectible.

Taxation

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

Deferred tax is provided in full 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 under a business combination. 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.

Retained earnings represent the accumulated profits and losses, less dividends since the Group was formed.

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2020

Employee benefits

The Group supports various personal pension arrangements and is auto-enrolment compliant. 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 consideration to which the Group expects to be entitled for services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Services – one-off consultancy, training, health & safety audits, editorials and safety inspections	Revenue from services is recognised as the services are provided as this is the point at which the performance obligations are fulfilled. In respect of services invoiced in advance, amounts are deferred until provision of the service. Customer payment terms are generally 30 days from the date of invoice.
Services – health and safety support, annual consultancy services, appointed safety advisor services and certification services.	Revenue is recognised evenly across the length of the contract as this is considered the best estimate of the fulfilment of the performance obligations. Customer payment terms are generally 30 days from the date of invoice.
Supply and installation of security equipment and maintenance of equipment.	Revenue from installation and maintenance is recognised as these services are provided as this is the point at which the performance obligations are fulfilled. Customer payment terms are between 30 and 60 days from the date of invoice.

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 2020

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 enough funds for continuing operations and planned expansions.

Market risk

The Group has interest-bearing assets which are subject to a variable rate of interest. Therefore the Group is only exposed to 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 2020				
Trade and other payables	622,938	–	–	–
Lease liabilities	34,071	69,912		
At 31 March 2019				
Trade and other payables	675,162	–	–	–

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.

1. FINANCIAL RISK MANAGEMENT – continued

Foreign exchange risk

The Group purchases security-related products in foreign currencies. The Group uses a number of methods to protect against foreign risk and does not enter into long term contracts that would increase currency exposure.

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. 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. To determine whether impairments are required the directors estimate the recoverable amount of the goodwill. This calculation is based on the directors' expectations of future volumes and margins based on the results forecast for a three-year period ending 31 March 2023, taking into consideration the potential impact of COVID-19. Full details are disclosed in note 6.

Provision for obsolete and slow-moving stock

Stock of approximately £28,890 (2019: £37,100) has been identified as slow moving within B2BSG and a non-cash provision has been made against this stock to cover potential obsolescence. The stock provision will be monitored and updated regularly.

The risks of material adjustment to provision in the next financial year are as follows:

i) Changes in technology rendering current stock technologically obsolete

ii) Customers changing their existing systems which would mean elements of current maintenance stock are unable to be utilised.

3. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified based on 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 3 to 12.

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 charges. The management charges represent Group overheads and are reflected in the operating loss of the parent Company. All revenue arose in the UK and all assets are located in the UK. There is an element of liabilities that derive from foreign currency due to some of the subsidiaries sourcing goods overseas.

	Revenue £'000	Depreciation £'000	Operating profit/(loss) £'000	Net interest £'000	Profit/(loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Gain on sale property £'000	Goodwill impairment £'000	Loss after tax £'000
Year ended 31 March 2020										
Security division – B2BSG	1,915	6	(91)	–	(91)	27	3	–	–	
Health and safety division										
ISL	231	7	37	–	37	(5)	–	–	–	
PHSCL	764	2	302	–	302	(52)	–	–	–	
QLM	353	3	76	–	76	(10)	–	–	–	
RSA	418	5	84	–	84	(11)	–	–	–	
	1,766	17	499	–	499	(78)	–	–	–	
Quality systems division – QCS	757	13	221	–	221	(37)	1	–	–	
Holding company – PHSC plc	–	16	(426)	2	(424)	70	(6)	–	–	
Total	**4,438**	**52**	**203**	**2**	**205**	**(18)**	**(2)**	**–**	**(200)**	**(15)**

	Revenue £'000	Depreciation £'000	Operating profit/(loss) £'000	Net interest £'000	Profit/(loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Gain on sale property £'000	Goodwill impairment £'000	Profit after tax £'000
Year ended 31 March 2019										
Security division – B2BSG	2,724	13	(137)	–	(137)	108	(2)	–	–	
Health and safety division										
ISL	233	1	43	–	43	(5)	–	–	–	
PHSCL	657	2	278	–	278	(29)	–	–	–	
QLM	438	2	107	–	107	(14)	–	–	–	
RSA	404	1	67	–	67	(6)	–	–	–	
	1,732	6	495	–	495	(54)	–	–	–	
Quality systems division – QCS	759	7	242	–	242	(80)	(3)	–	–	
Holding company – PHSC plc	–	12	(522)	(1)	(523)	(22)	11	166	–	
Total	**5,215**	**38**	**78**	**(1)**	**77**	**(48)**	**6**	**166**	**(200)**	**1**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2020

3. SEGMENTAL REPORTING – continued

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

	Non-current asset additions £'000	Non current assets £'000	Current assets £'000	Total assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total liabilities £'000	Net operating assets £'000
As at 31 March 2020								
Security division – B2BSG	1	248	181	429	152	2	154	275
Health and safety division								
ISL	2	25	141	166	103	14	117	49
PHSCL	2	6	407	413	77	1	78	335
QLM	1	21	199	220	135	11	146	74
RSA	4	473	158	631	70	7	77	554
	9	525	905	1,430	385	33	418	1,012
Quality systems division – QCS	–	94	226	320	119	42	161	159
Holding company – PHSC plc	30	3,781	594	4,375	41	39	80	4,295
Total	**40**	**4,648**	**1,906**	**6,554**	**697**	**116**	**813**	**5,741**
Adjustment of goodwill on consolidation including goodwill impairment								(757)
Deferred tax adjustment to property revaluation								(6)
Net assets								4,978

	Non-current asset additions £'000	Non current assets £'000	Current assets £'000	Total assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total liabilities £'000	Net operating assets £'000
As at 31 March 2019								
Security division – B2BSG	8	267	286	553	194	–	194	359
Health and safety division								
ISL	–	2	192	194	118	–	118	76
PHSCL	2	7	943	950	92	1	93	857
QLM	3	5	321	326	124	1	125	201
RSA	1	461	176	637	57	–	57	580
	6	475	1,632	2,107	391	2	393	1,714
Quality systems division – QCS	51	51	616	667	100	4	104	563
Holding company – PHSC plc	5	3,969	(602)	3,917	45	33	78	3,289
Total	**70**	**4,762**	**1,932**	**7,244**	**730**	**39**	**769**	**5,925**
Adjustment of goodwill on consolidation including goodwill impairment								(777)
Deferred tax adjustment to property revaluation								(8)
Net assets								5,140

Revenues from one customer within B2BSG totalled £355,632 (2019 - £922,216), representing more than 10% of its total revenue.

4. AUDITOR'S REMUNERATION

	31.3.20 £	31.3.19 £
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**6,150**	6,140
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	**19,340**	22,000
Total audit	**25,490**	28,140
Tax		
Tax compliance services	**7,140**	7,000
Tax advisory services	**2,000**	2,000
Total tax	**9,140**	9,000
Total	**34,630**	37,140

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Right of use assets £	Totals £
COST						
At 1 April 2018	712,000	34,309	161,752	26,245	–	934,306
Additions	–	46,987	22,591	–	–	69,578
Disposals	(140,730)	–	(28,246)	(12,467)	–	(181,443)
At 31 March 2019	571,270	81,296	156,097	13,778	–	822,441
Additions	–	18,836	20,693	–	123,299	162,828
Disposals	–	–	(32,084)	(4,718)	–	(46,597)
At 31 March 2020	**571,270**	**100,132**	**144,706**	**9,060**	**123,299**	**948,647**
DEPRECIATION						
At 1 April 2018	176,327	29,064	119,466	15,106	–	339,963
Charge for year	10,245	5,707	19,442	2,785	–	38,179
Disposals	(7,506)	–	(24,437)	(12,343)	–	(44,286)
At 31 March 2019	179,066	34,771	114,471	5,548	–	333,856
Charge for year	8,838	7,641	15,202	1,197	19,316	52,194
Disposals	–	–	(28,848)	(1,274)	–	(30,122)
At 31 March 2020	**187,904**	**42,412**	**100,825**	**(5,471)**	**19,316**	**355,928**
NET BOOK VALUE						
At 31 March 2020	**383,366**	**57,720**	**43,881**	**3,589**	**103,983**	**592,539**
At 31 March 2019	392,204	46,525	41,626	8,230	–	488,585
At 31 March 2018	535,673	5,245	42,286	11,139	–	594,343

Depreciation expenses of £52,194 (2019: £38,179) are included in administrative expenses in the statement of comprehensive income.

The net book value of right of use assets includes £49,798 in relation to short term lease hold property and £54,185 in relation to motor vehicles.

6. GOODWILL

	Goodwill
	£
COST	
At 1 April 2017 and 2018	5,514,547
Additions	–
At 31 March 2019	**5,514,547**
IMPAIRMENT	
At 1 April 2018	1,836,084
Impairment	200,000
At 31 March 2019	2,036,084
Impairment	200,000
At 31 March 2020	**2,236,084**
NET BOOK VALUE	
At 31 March 2020	**3,278,463**
At 31 March 2019	**3,478,463**
At 31 March 2018	**3,678,463**

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:

	31.3.20	31.3.19
	£	£
Personnel Health & Safety Consultants Limited	**594,952**	594,952
RSA Environmental Health Limited	**601,644**	601,644
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	**579,066**	739,066
SG Systems (UK) Limited	**297,112**	337,112
Total goodwill for Group	**3,278,463**	3,478,463

The directors have estimated the value-in-use of goodwill by discounting estimated future cash flows in accordance with IFRS. The potential impact of COVID-19 has been factored in by asking management to prepare forecasts for a three-year period, based on the assumption that it will take three years for trading performance to return to normal levels. Year 1 reflects 65% of normal trading performance, year 2 80% and year 3 100% which is expected to continue into perpetuity. The impairment review calculations use estimated future cashflows based on these forecasts with a terminal value being calculated using the year 3 expected cash flows. The cash flow projections are based on profits before tax and inter group management charges and have been discounted using a discount rate of 11% (2019: 11%). This takes into consideration the weighted average cost of capital (WACC) and factors in an increased risk connected with being a company quoted on AIM.

6. GOODWILL – continued

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

	Margin in carrying value £	Annual cash flow at which impairment required £	Discount rate at which impairment required %
Personnel Health & Safety Consultants Limited and dormant subsidiaries	2,029,282	65,445	51
RSA Environmental Health Limited	331,692	63,963	15
Inspection Services (UK) Limited	171,440	22,573	21
Quality Leisure Management Limited	123,821	64,113	14
QCS International Limited	1,539,243	45,954	54
B to B Links Limited*	(155,402)	81,297	9
SG Systems (UK) Limited**	(36,437)	37,082	10

The impairment review undertaken by the directors identified that the value-in-use of its security business, B2BSG, was less than its carrying value and thus an impairment was required. An impairment charge of £200,000 has been provided on the basis that the remaining goodwill could be supported by the value-in-use calculation.

* Figures stated prior to the impairment charge of £160,000

** Figures stated prior to the impairment charge of £40,000

Sensitivity analysis

The calculations are sensitive to movements in the discount rate and revenue and may therefore result in an impairment charge to the income statement. An increase of 1% to the discount rate and 3% reduction in revenue would result in the additional impairment charges as follows:

	Reduction in revenue of 3% £	Increase in discount rate of 1% £
B to B Links Limited	103,945	32,841
SG Systems (UK) Limited	52,353	15,724

7. TRADE AND OTHER RECEIVABLES

	31.3.20 £	31.3.19 £
Trade receivables	**782,621**	880,955
Less provision for impairment of trade receivables	**(15,463)**	(1,000)
Trade receivables – net	**767,158**	879,955
Other debtors and prepayments	**104,520**	83,988
Contract assets	**14,269**	9,187
Total	**885,947**	973,130

At 31 March 2020 there were £15,463 impaired trade receivables (2019: £1,000).

The ageing of receivables are as follows:

	31.3.20 £	31.3.19 £
Up to 3 months	**703,571**	761,068
3 – 6 months	**28,588**	89,480
Over 6 months	**50,462**	30,407
	782,621	880,955

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

	31.3.20 £	31.3.19 £
At 1 April	**1,000**	1,000
Provision for receivables impairment	**15,001**	–
Release of provision	**(538)**	–
At 31 March	**15,463**	1,000

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.

All debts which are older than 90 days relate to long standing repeat customers and are considered to be fully recoverable based on the history of payments from these customers taking into consideration future factors.

The Group has one type of financial assets that are subject to IFRS 9's expected credit loss model:

- Trade receivables

The Group has taken into consideration the requirements of IFRS 9 for each of these classes of assets as there is always considered some form of risk of default. The potential adjustment to the financial statements in relation to expected credit losses is not considered material to the financial statements so no adjustment has been made to included future expected credit losses.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This did not lead to a material change in the impairment of trade receivables so no adjustment was made.

8. STOCK

	31.3.20 £	31.3.19 £
Stocks	**264,301**	316,556

£28,890 of stock was written down in the current year (2019: £37,064). The value of stock consumed and recognised as an expense was £898,299 (2019: £1,118,577).

9. CASH AND CASH EQUIVALENTS

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

	31.3.20 £	31.3.19 £
Cash at bank and in hand	**755,919**	642,466

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

10. CALLED UP SHARE CAPITAL

	Number of shares (Nominal value of 10p)	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 31 March 2019 and 2020	14,677,257	1,467,726	1,916,017	3,383,743

11. TRADE AND OTHER PAYABLES

	31.3.20 £	31.3.19 £
Trade payables	**132,396**	130,726
Social security and other taxes	**210,247**	223,678
Other payables	**9,721**	9,763
Accruals	**54,243**	71,590
Contract liabilities	**216,331**	239,405
Total	**622,938**	675,162

12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered 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.The Group's overdraft facility has been reduced from £150,000 to £50,000 which is secured by a debenture including a fixed charge over certain present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future. The overdraft is next reviewed in October 2020.

13. LEASES

	Land & Buildings £	Motor Vehicles £	Total £
Amounts due within 1 year – right of use liabilities	11,275	22,796	34,071
Amounts due over 1 year – right of use liabilities	38,523	31,389	69,912
Total	49,798	54,185	103,983

14. DEFERRED TAX

Deferred tax asset	Tax losses carried forward £	Accelerated capital allowances £	Other short-term temporary differences £	Total £
At 1 April 2018	21,004	-	101	21,105
Credited to income statement	(3,443)	-	(35)	(3,478)
At 31 March 2019	17,561	-	66	17,627
Credited/(debited) to income statement	2,021	-	(66)	1,955
At 31 March 2020	**19,582**	**-**	**–**	**19,582**

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 2018	43,188	7,473	5,157	55,818
Credited to income statement	(11,919)	2,414	-	(9,505)
At 31 March 2019	31,269	9,887	5,157	46,313
Debited/(credited) to income statement	3,679	1,264	-	4,943
At 31 March 2020	**34,948**	**11,151**	**5,157**	**51,256**

Deferred tax has been provided on the revalued fixed assets at 19% (2019: 19%).At present it is not envisaged that any tax will become payable in the foreseeable future.

15. EXPENSES BY NATURE

	31.3.20 £	31.3.19 £
Cost of sales	**1,463,499**	1,929,541
Staff related costs	**1,957,161**	2,128,386
Premises costs	**72,786**	122,738
Professional fees	**170,677**	312,954
Other expenses	**570,790**	644,287
Goodwill impairment	**200,000**	200,000
Total cost of sales and administrative expenses	**4,434,913**	5,337,906

16. EMPLOYEES

Staff costs (including executive directors)

	31.3.20 £	31.3.19 £
Wages and salaries	**1,685,549**	1,844,924
Social security costs	**171,818**	184,456
Other pension costs	**73,331**	65,958
	1,930,698	2,095,338

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

	31.3.20	31.3.19
Directors of PHSC plc and subsidiary companies	**7**	7
Consultants	**19**	22
Administrative	**23**	29
Total	**49**	58

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:

	31.3.20 £	31.3.19 £
Short-term employee benefits	**371,625**	403,796
Post-employment benefits	**39,081**	38,656
Total	**410,706**	442,452

17. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.20 £	31.3.19 £
Emoluments	**171,627**	183,242
Pension contributions to money purchase schemes	**29,915**	23,507
	201,542	206,749

The remuneration of the executive directors of PHSC plc, from all Group companies was as follows:

	Year ended 31.3.20							
	Short-term employee benefits					Post employment benefits		Year ended 31.3.19
	Salary £	Bonus £	Waiver £	Pension salary sacrifice £	Benefits £	Pension £	Total £	Total £
S A King	**90,750**	**1,721**	**(6,100)**	**(13,728)**	**2,638**	**17,780**	**93,061**	96,364
N C Coote	**71,250**	**1,721**	**-**	**(5,400)**	**2,217**	**8,693**	**78,481**	78,359

The benefits relate to health insurance. Both directors opted to take their bonus as a pension contribution.

17. DIRECTORS' REMUNERATION – continued

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

	Year ended 31.3.20 £	Year ended 31.3.19 £
G N Webb	**15,000**	15,000
L E Young	**15,000**	15,000

18. FINANCE INCOME AND COSTS

	31.3.20 £	31.3.19 £
Finance income		
Interest received	**1,990**	303
Interest expense		
Other interest	**–**	(1,514)
	–	(1,514)
Net finance income/(charge)	**1,990**	(1,211)

19. TAXATION

Analysis of tax charge in year

	31.3.20 £	31.3.19 £
Current tax:		
UK corporation tax on profits in the year	**40,250**	54,707
Adjustments in respect of previous year	**(22,690)**	(6,885)
Total current tax charge	**17,560**	47,822
Deferred tax:		
Origination and reversal of temporary differences	**572**	(4,496)
Adjustment in respect of prior period	**(90)**	1,377
Effect of tax rate change on opening balance	**2,506**	(2,908)
Taxation charge/(credit)	**2,988**	(6,027)
Tax on profit on ordinary activities	**20,548**	41,795

19. TAXATION – continued

Reconciliation of tax on ordinary activities

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 19% (2019: 19%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	31.3.20 £	31.3.19 £
Loss on ordinary activities before tax	**4,999**	42,494
Tax on loss on ordinary activities at standard rate of corporation tax of 19% (2019: 19%)	**950**	8,075
Effects of:		
Expenses not deductible for tax purposes	**38,514**	41,655
Depreciation on ineligible assets	**1,859**	2,128
Movement in revalued property deferred tax less capital gain on disposal	**–**	(2,139)
Effect of tax rate change on opening deferred tax balance	**2,507**	(2,416)
Adjustments in respect of prior periods	**(22,780)**	(5,508)
Movement on unprovided deferred tax asset	**(502)**	–
Total tax charge	**20,548**	41,795

The UK government has legislated to maintain the main rate of corporation tax at 19%.

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.

	31.3.20	31.3.19
(Loss)/profit attributable to equity holders of the Group (£)	**(15,549)**	699
Weighted average number of ordinary shares in issue	**14,677,257**	14,677,257
Basic (loss)/earnings per share (pence per share)	**(0.11)p**	0.005p

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

21. DIVIDENDS

A total dividend of 1.0p per ordinary share, (£146,772) was paid in respect of the year ended 31 March 2019; half was paid in February 2019 and the balance in October 2019. An interim dividend of 0.5p in respect of the year ended 31 March 2020 was paid in February 2020 and a final dividend of 0.5p is proposed, subject to shareholder approval, for payment in October 2020, matching the total of 1.0p paid last year.

22. RELATED PARTY DISCLOSURES

	31.3.20 £	31.3.19 £
PHSC plc dividends were paid to directors as follows:		
S A King	**31,894**	31,894
N C Coote	**31,439**	31,439
G N Webb MBE	**194**	194
	63,527	63,527

The Company provided a loan of £9,999 to Leigh Simmonds, a director of QLM in October 2019. The loan incurs interest at a rate of 2.5% per annum and is repayable at a rate of not less than £300 per month until the principal plus interest has been repaid in full.

23. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party, but the largest shareholder, Mr S A King, holds 21.73% (2019: Mr S A King 21.73%) of the issued share capital of PHSC plc.

24. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.20 £	31.3.19 £
Financial assets at amortised cost		
Trade and other receivables	**885,947**	973,130
Cash and cash equivalents	**755,919**	642,466
	1,641,866	1,615,596
Financial liabilities at amortised cost		
Trade and other payables	**622,938**	675,162
	622,938	675,162
Due within 1 year	**622,938**	675,162
Due in over 1 year	**–**	–
	622,938	675,162

25. REVENUE

Set out below is a breakdown of revenue:

	31.3.20 £	31.3.19 £
Health and safety services	**1,766,013**	1,731,712
Quality systems services	**756,727**	759,500
Security related products	**1,915,182**	2,724,129
	4,437,922	5,215,341

The split of revenue is in line with the segmental analysis in note 3.

The following table provides information about receivables, contract assets and contract liabilities with customers:

	31.3.20 £	31.3.19 £
Receivables which are included in 'trade and other receivables'	**767,158**	879,955
Contract assets	**14,269**	9,187
Contract liabilities	**216,331**	239,405

Contract assets relate to uninvoiced work carried out at the reporting date where performance obligations had been met. Contract liabilities relate to the deferred revenue in respect of ongoing services where the revenue is being recognised across the term of the customer contract.

25. REVENUE – continued

Significant changes in the contract assets and contract liabilities balances during the period are as follows:

	31.3.20	31.3.19
	£	£
Revenue deferred into future periods	**(216,331)**	(239,405)
Revenue accrued in current period	**14,269**	9,187
Deferred revenue recognised in the period	**239,405**	241,060

The performance obligations for all revenues that have been deferred into future periods have been satisfied by the following year end as the performance obligations on the contracts are no longer than one year in length. There are no impairment losses in relation to the contract assets recognised under IFRS 15.

PHSC plc

COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	Note	31.3.20 £	31.3.19 £
Non-Current Assets			
Property, plant and equipment	9	**413,243**	400,310
Investments	10	**3,368,206**	3,568,206
		3,781,449	3,968,516
Current Assets			
Trade and other receivables	11	**835,134**	755,400
Cash and cash equivalents		**562,340**	–
		1,397,474	755,400
Total Assets		**5,178,923**	4,723,916
Current Liabilities			
Trade and other payables	12	**46,554**	49,046
Overdraft	13	**–**	620,631
Current corporation tax		**–**	566
		46,554	670,243
Non-Current Liabilities			
Deferred taxation	14	**38,655**	32,647
		38,655	32,647
Total Liabilities		**85,209**	702,890
Net Assets		**5,093,714**	4,021,026
Capital and reserves attributable to equity holders of the Group			
Called up share capital	15	**1,467,726**	1,467,726
Share premium account	15	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Retained earnings		**1,432,507**	359,819
		5,093,714	4,021,026

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The profit for the year was £1,219,460 (2019: profit £122,437).

Approved and authorised for issue by the board on 19 August 2020 and signed on its behalf by;

S A King *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Revaluation Rreserve £	Retained Earnings £	Total £
Balance at 1 April 2018	1,467,726	1,916,017	133,836	143,628	43,373	340,781	4,045,361
Profit for year attributable to equity holders	–	–	–	–	–	122,437	122,437
Transfer of reserve on property sale	–	–	–	–	(43,373)	43,373	–
Dividends paid	–	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2019	1,467,726	1,916,017	133,836	143,628	–	359,819	4,021,026
Balance at 1 April 2019	1,467,726	1,916,017	133,836	143,628	–	359,819	4,021,026
Profit for year attributable to equity holders	–	–	–	–	–	1,219,460	1,219,460
Dividends paid	–	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2020	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**–**	**1,432,507**	**5,093,714**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	Note	**31.3.20** £	31.3.19 £
Cash flows used by operating activities:			
Cash used by operations	I	**(311,261)**	(265,800)
Tax paid		**–**	(21,056)
Group tax relief receipt		**69,027**	-
Interest paid		**–**	(1,514)
Net cash generated used by operating activities		**(242,234)**	(288,370)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(29,947)**	(4,862)
Disposal proceeds sale of property, plant and equipment		**–**	299,495
Dividends from subsidiary companies		**1,600,000**	624,580
Interest received		**1,924**	303
Net cash from investing activities		**1,571,977**	919,516
Cash flows used by financing activities			
Dividends paid to Group shareholders		**(146,772)**	(146,772)
Net cash used by financing activities		**(146,772)**	(146,772)
Net increase in cash and cash equivalents		**1,182,971**	484,374
Overdraft at beginning of year		**(620,631)**	(1,105,005)
Cash and cash equivalents/(overdraft) at year end		**562,340**	(620,631)

All changes in liabilities arising from financing relate entrely to cash movements.

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	31.3.20 £	31.3.19 £
I. CASH USED BY OPERATIONS		
Loss before taxation and interest	**(446,049)**	(490,949)
Depreciation charge	**15,733**	12,906
Impairment of investment	**200,000**	550,000
Loss/(profit) on sale of fixed assets	**1,281**	(165,841)
(Increase)/decrease in trade and other receivables	**(79,734)**	52,956
Decrease in trade and other payables	**(2,492)**	(224,872)
Cash used by operations	**(311,261)**	(265,800)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

1. BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with IFRSs, as adopted by the EU, 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 18.

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 (2020 – £1,600,000; 2019: £624,580) was £380,540 (2019: loss £502,143). There were no recognised gains and losses for 2020 or 2019 other than those included in the Company statement of comprehensive income.

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 and in accordance with Financial Reporting Council guidance have provided reasons for this opinion in the going concern section of the strategic report on page 12 of the Group accounts.

The following standards and interpretations relevant to the Company are in issue but are not yet effective and have not been applied in the financial statements. In some cases, these standards and guidance have not been endorsed for use in the EU.

Standard	Effective date, annual period beginning on or after
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: Business Combinations	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

The new standards, listed above, are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

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 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 the shorter of the expected useful life or lease term, on the following bases:

Freehold buildings	–	2% of cost on a straight-line basis
Improvements to property	–	on a straight-line basis (10% of cost if expected useful life is shorter than the lease term)
Fixtures and equipment	–	25% reducing balance basis

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.

Impairment of tangible and intangible assets

An impairment loss is recognised for the amount by which the investments 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. Impairment losses are charged to administrative expenses.

Taxation

Current income tax assets/liabilities comprise those claims from or 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.

Financial Instruments

Trade receivables and contract assets are initially stated at the transaction price and subsequently measured at amortised cost using the effective interest method. The carrying amounts for accounts receivable are net of allowances for expected credit losses. The Company evaluated the expected credit losses on trade receivables by reviewing historical data, adjusted for forward-looking factors to the debtors and the economic environment. Individual receivables are only written off when management deems them not collectible.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2020

2. ACCOUNTING POLICIES – continued

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 UK and derives from the management charge levied to the subsidiary companies and is recognised when the service is delivered.

4. LOSS BEFORE TAXATION

The profit before taxation is stated after charging:

	31.3.20	31.3.19
	£	£
Depreciation – owned assets	**15,733**	12,906

5. DIRECTORS' REMUNERATION

Full details are given on page 46 of the Group accounts.

6. STAFF COSTS

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

	31.3.20	31.3.19
Directors	**4**	4
Consultants	**2**	2
Administration	**3**	3
	9	9

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**193,845**	263,178
Social security costs	**21,419**	23,595
Other pension costs	**24,446**	25,129
	239,710	311,902

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

7. AUDITOR'S REMUNERATION

Full details are given on page 40 of the Group accounts.

8. FINANCE INCOME AND COSTS

	31.3.20 £	31.3.19 £
Finance income		
Interest received	**1,924**	303
Interest expense		
Other interest	**–**	(1,514)
Net finance cost	**1,924**	(1,211)

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2018	582,638	23,978	13,103	619,719
Additions	–	–	4,862	4,862
Disposals	(140,730)	–	(2,417)	(143,147)
At 31 March 2019	441,908	23,978	15,548	481,434
Additions	–	18,836	11,111	29,947
Disposals	–	–	(9,599)	(9,599)
At 31 March 2020	**441,908**	**42,814**	**17,060**	**501,782**
DEPRECIATION				
At 1 April 2018	46,965	20,545	10,201	77,711
Charge for the year	10,245	828	1,833	12,906
Disposals	(7,506)	-	(1,987)	(9,493)
At 31 March 2019	49,704	21,373	10,047	81,124
Charge for year	8,838	2,742	4,153	15,733
Disposals	–	–	(8,318)	(8,318)
At 31 March 2020	58,542	24,115	5,882	88,539
NET BOOK VALUE				
At 31 March 2020	**383,366**	**18,699**	**11,178**	**413,243**
At 31 March 2019	392,204	2,605	5,501	400,310
At 31 March 2018	535,673	3,433	2,902	542,008

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.20 £	31.3.19 £
At 1 April	**3,568,206**	4,118,206
Impairment of investment in B2BSG	**(200,000)**	(550,000)
At 31 March	**3,368,206**	3,568,206

As stated under the B2BSG heading in the strategic report, selling into the retail sector remains challenging and the COVID-19 pandemic will have a large effect on B2BSG's client base. Combined with the general uncertainty over Brexit, pressure will be applied on sales volumes and gross margins in the security sector. The impairment review undertaken by the directors identified that the value-in-use of the B2BSG investment was compromised and thus impairment of the investment was required. The investment value has been reduced by £200,000 to a new carrying value of £883,688.

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

Name of Company	Class of shares held	Proportion of voting rights held	Registered office
B2BSG Solutions Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Camerascan CCTV Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Envex Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
In House The Hygiene Management Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Inspection Services (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Personnel Health & Safety Consultants Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Quality Leisure Management Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
QCS International Limited	Ordinary	100%	9 Cumbernauld Business Park, Cumbernauld, North Lanarkshire, Scotland G6 3JZ
RSA Environmental Health Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Safetymark Certification Services Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
SG Systems (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2020

11. TRADE AND OTHER RECEIVABLES

	31.3.20 £	31.3.19 £
Owed by subsidiary undertakings	**803,031**	736,876
Prepayments	**32,103**	18,524
	835,134	755,400

The amount owed by subsidiary undertakings is subject to IFRS 9's expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all balances owed from subsidiary undertakings. This did not lead to a material change in the assessment of the potential impairment of amounts owed from subsidiary undertakings, so no adjustment has been made.

12. TRADE AND OTHER PAYABLES

	31.3.20 £	31.3.19 £
Trade payables	**13,021**	2,348
Amount owed to subsidiary undertakings	**5,000**	5,000
Social security and other taxes	**6,953**	20,747
Other payables	**3,605**	1,158
Accruals	**17,975**	19,793
	46,554	49,046

13. OVERDRAFT

	31.3.20 £	31.3.19 £
Bank overdraft	**–**	620,631

On 1 October 2008, PHSC plc entered 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, the Group's overdraft facility was reduced from £150,000 to £50,000 which is secured by a debenture including a fixed charge over certain present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future. The overdraft is next reviewed in October 2020. On 31 March 2020, PHSC plc's Company balance was £562,340 in credit (2019: £620,631 overdrawn) within the Group's cash at bank and in hand figure of £755,919 (2019: £642,466).

14. DEFERRED TAXATION

	31.3.20 £	31.3.19 £
Deferred taxation – accelerated capital allowances	**38,655**	32,647

	31.3.20 £	31.3.19 £
At 1 April	**32,647**	44,286
Deferred tax charge/(credit) in year	**6,008**	(11,819)
At 31 March	**38,655**	32,647

15. SHARE CAPITAL

Called up, allotted and fully paid	Number of shares (Nominal value 10p per share)	Ordinary shares £	Share premium £	Total £
At 31 March 2019 and 2020	14,677,257	1,467,726	1,916,017	3,383,743

16. RELATED PARTY DISCLOSURES

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

	31.3.20 £	31.3.19 £
Management charge from PHSC plc to subsidiary companies	**180,000**	415,000

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

	31.3.20 £	31.3.19 £
Amounts owed by group undertakings		
B2BSG Solutions Limited	**40,219**	22,435
Camerascan CCTV Limited	**229,701**	229,701
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**958**	1,449
Personnel Health & Safety Consultants Limited	**56,784**	1,929
QCS International Limited	**4,630**	5,823
Quality Leisure Management Limited	**250**	4,386
RSA Environmental Health Limited	**1,185**	1,849
	803,031	736,876
Amounts owed to group undertakings		
Adamson's Laboratory Services Limited	**5,000**	5,000
	5,000	5,000

16. RELATED PARTY DISCLOSURES – continued

	31.3.20 £	31.3.19 £
PHSC plc received dividends from subsidiaries as follows:		
Adamson's Laboratory Services Limited	–	99,580
Inspection Services (UK) Limited	**50,000**	25,000
Personnel Health & Safety Consultants Limited	**800,000**	200,000
QCS International Limited	**500,000**	200,000
Quality Leisure Management Limited	**175,000**	70,000
RSA Environmental Health Limited	**75,000**	30,000
	1,600,000	624,580
PHSC plc dividends were paid to directors as follows:		
S A King	**31,894**	31,894
N C Coote	**31,439**	31,439
G N Webb MBE	**194**	194
	63,527	63,527

17. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

	31.3.20 £	31.3.19 £
Financial assets at amortised cost		
Trade and other receivables	**835,134**	755,400
	835,134	755,400
Financial liabilities at amortised cost		
Overdraft	–	620,631
Trade and other payables	**46,554**	46,664
	46,554	667,295
Due within 1 year	**46,554**	667,295
Due in over 1 year	–	-
	46,554	667,925

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

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.

18. 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:

Impairment of investments

An impairment of investments has the potential to significantly impact upon the Company's statement of comprehensive income for the year. In order to determine whether impairments are required the directors have estimated the value-in-use of goodwill by discounting estimated future cash flows in accordance with IFRS. The potential impact of COVID-19 has been factored in by asking management to prepare forecasts for a three-year period, based on the assumption that it will take three years for trading performance to return to normal levels. Year 1 reflects 65% of normal trading performance, year 2 80% and year 3 100% which is expected to continue into perpetuity. The impairment review calculations use estimated future cashflows based on these forecasts with a terminal value being calculated using the year 3 expected cash flows. The cash flow projections are based on profits before tax and inter group management charges and have been discounted using a discount rate of 11% (2019: 11%). This takes into consideration the weighted average cost of capital (WACC) and factors in an increased risk connected with being a company listed on the AIM market directors estimate the recoverable amount of the investment.

19. PARENT UNDERTAKING

There is no ultimate controlling party but the largest shareholder, Mr S A King owns 21.73% (2019: Mr S A King 21.73%) 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 a.m. on Wednesday 30 September 2020 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions.

1 To receive the annual report and audited accounts for the year ended 31 March 2020.

2. To declare a final dividend of 0.5p per ordinary share.

3. To re-elect Graham Webb as a director.

4. To reappoint Crowe U.K. LLP as auditor to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the members and to authorise the directors to determine their remuneration.

5. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a total nominal amount of £489,242 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting in 2020 or on 30 September 2021, 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 resolutions

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

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

   (b) the allotment (otherwise than under sub-paragraph (a) above) 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 £293,545.

   such power to expire at the conclusion of the annual general meeting of the Company in 2020 or, if earlier, on 30 September 2021, unless such power is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

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

   (a) the maximum number of ordinary shares authorised to be purchased shall be 2,201,589;

   (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 London Stock Exchange) 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 2021 or, if earlier, at the close of business on 30 September 2021, 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

SGH Company Secretaries Limited
Secretary

26 August 2020

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 10.00 a.m. on 28 September 2020. 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. **Due to the ongoing government restrictions on social distancing and public gatherings, shareholders are reminded that physical attendance in person at the AGM may not be permitted. The Company encourages shareholders to vote electronically, or to appoint the Chair as their proxy with their voting instructions.**

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 chair 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 chair) 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 Ben.Harber@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 4546. If you submit more than one valid proxy form, the one received last before the latest time for the receipt of proxies will take precedence.

6. Termination of proxy appointments
In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the company secretary, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR. Alternatively, you may send the notice by email to Ben.Harber@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 4546 (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 p.m. on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised 14,677,257 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 14,677,257.

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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 Wednesday 30 September 2020

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 chair 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 chair of the meeting or …………………………………………….....

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

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

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

Signature(s) ……………………………………………………………… (see note 5) Date ……………………………… 2020

Notes:

1) If you wish to appoint as a proxy someone other than the chair of the meeting, please delete the words "The chair 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. **Due to the ongoing government restrictions on social distancing and public gatherings, shareholders are reminded that physical attendance in person at the AGM may not be permitted. The Company encourages shareholders to vote electronically, or to appoint the chair as their proxy with their voting instructions.**
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, anyone 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.