

# PHSC plc

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

## ANNUAL REPORT 2021

### 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 2021*

	<i>Page</i>
Company Information	2
Strategic Report	3
Report of the Directors	15
Statement of Directors' Responsibilities	18
Corporate Governance Statement	19
Independent Auditor's Report	25
Group Statement of Financial Position	30
Group Statement of Comprehensive Income	31
Group Statement of Changes in Equity	32
Group Statement of Cash Flows	33
Accounting Policies	34
Notes to the Financial Statements	39
<u>Company Financial Statements</u>	
Company Statement of Financial Position	56
Company Statement of Changes in Equity	57
Company Statement of Cash Flows	58
Notes to the Financial Statements	59
Notice of Annual General Meeting	68
Form of Proxy	71

# PHSC plc

## COMPANY INFORMATION

*for the year ended 31 March 2021*

<b>DIRECTORS:</b>	S A King N C Coote G N Webb MBE L E Young
<b>SECRETARY:</b>	SGH Company Secretaries Limited
<b>REGISTERED OFFICE &amp; BUSINESS ADDRESS:</b>	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
<b>REGISTERED NUMBER:</b>	4121793 (England and Wales)
<b>AUDITOR:</b>	Crowe U.K. LLP Chartered Accountants & Registered Auditor 40-46 High Street Maidstone Kent ME14 1JH
<b>SOLICITORS:</b>	Gullands 16 Mill Street Maidstone Kent ME15 6XT
<b>REGISTRARS:</b>	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD
<b>NOMINATED ADVISER:</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ
<b>BROKER:</b>	Novum Securities Limited 2nd Floor, Lansdowne House 57 Berkeley Square London W1J 6ER

# PHSC plc

## STRATEGIC REPORT

for the year ended 31 March 2021

### FINANCIAL HIGHLIGHTS

- EBITDA of £0.505m, almost double the £0.255m achieved last year
- Statutory profit after tax of £0.087m compared with a loss of £0.015m last year
- Group sales revenue of £3.289m compared with £4.438m last year
- Income augmented to £3.73m by £0.441m of pandemic-related government grant funding
- Cash reserves of £1.237m at year end compared to £0.756m last year
- Write-down of £0.250m due to impaired goodwill versus a write-down of £0.200m last year
- Group net assets declined to £4.919m compared to £4.978m last year
- Earnings per share of 0.60p compared with a loss of 0.11p per share last year
- Successful post-year end share buyback programme completed ahead of schedule
- Final dividend of 0.5p proposed, making a total of 1.0p for the year matching last year's total

	31.3.21 £	31.3.20 £
Profit before tax	189,988	4,999
Less: interest received	(999)	(1,990)
Add: depreciation	65,619	52,194
Add: impairment B2BSG Solutions Limited goodwill	200,000	200,000
Add: impairment RSA Environmental Health Limited goodwill	50,000	-
Underlying EBITDA*	<u>504,608</u>	<u>255,203</u>

\* 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 15 October 2021 to shareholders on the register on 1 October 2021.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

### CHIEF EXECUTIVE OFFICER'S REPORT

In a period completely dominated by the financial effects of the COVID-19 pandemic, I present my review of the Group's activities and performance during the financial year 2020-21 on behalf of the board, including commentary on our successful post year-end share buyback programme, and an indication of how the Group expects to meet the challenges as we emerge from the pandemic over the year ahead.

### GENERAL BUSINESS REVIEW, COVID-19 RESPONSES, AND OUTLOOK

In the circumstances, the reduction in sales revenue by approximately a quarter compared with 2019-20 (£3.29m versus £4.38m) was deemed a satisfactory outcome. The level of revenue ultimately achieved exceeded management's initial expectations at the start of lockdown in March 2020. The Group's subsidiaries were affected in different ways, with some coming to a virtual standstill whilst others were able to carry on with encouraging levels of trading albeit in a very difficult environment. Our subsidiaries had to look at creative ways to mitigate the effects of the pandemic by adapting their service delivery methods as far as possible. This involved increased levels of remote working. Full use was also made of government financial support, consisting of small business grants for the subsidiaries worst affected, and Coronavirus Job Retention Scheme (CJRS) subsidies towards the costs of those personnel for whom work was not possible. The impact on each individual subsidiary is set out later in this report.

The board elected to take a 20% reduction in salary for six-months commencing on 1 May 2020 and is grateful that subsidiary directors elected to follow suit. This action helped the Group to conserve its resources at a time when the outlook was most uncertain.

With the benefit of the government support described above, a highly satisfactory EBITDA figure of £0.505m was achieved. Despite the overall reduction in income from all regular sources, costs across the Group were considerably lower. Savings were achieved due to reductions in headcount, notably in our B2BSG Solutions Limited (B2BSG) subsidiary, and in lower general operational expenditure. Purchasing activity was lower across the Group, and there was a positive variance in the value of sterling which assisted our security division which imports all the electronic equipment sold on to clients.

As has been the case for a number of years, the sales environment for B2BSG, which predominantly serves the retail sector, is shrinking due to on-line sales. This trend was accelerated by the pandemic and has hastened the demise of large clients such as Peacocks, Edinburgh Woollen Mill and Debenhams. Associated bad debts of £22,000 were recognised during the year.

Revenues in the Group's Scottish-based systems division held up better than anticipated, and the business remained profitable throughout the year. Even without the welcome support from government funding, this subsidiary would have generated a profit ahead of our initial expectations. Revenues were supplemented by a new income stream arising as a consequence of Brexit, and further details are provided later in this report.

Our greatest success was seen in the Group's safety division where there are four operational subsidiaries. Two of those businesses, Quality Leisure Management Limited (QLM) and RSA Environmental Health Limited (RSA) which mainly serve the leisure industry and the education sector respectively, almost ground to a standstill for much of the year. However, excellent results from Personnel Health and Safety Consultants Limited (PHSCL) and a steady performance from Inspection Services (UK) Limited (ISL) more than compensated for the leisure and education-related downturn and led to higher revenue and profitability for this division.

With cash at bank comfortably exceeding £1.0m at the year end, and the Group's share price remaining stubbornly well below the Group's net asset value per share, the board took the decision to utilise the authority granted by shareholders at last year's annual general meeting (AGM) to implement a share buyback programme. The programme was announced on 13 May 2021 and completed on 16 June 2021. Over that period the Company's broker was able to repurchase a total of 1,602,197 ordinary shares on the Company's behalf for a total consideration of approximately £0.325m. The buyback programme was largely funded from the surplus cash held on account following the sale of freehold premises previously

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

held by a former subsidiary, in late September 2018. Accordingly, the number of ordinary shares not held in treasury now stands at 13,075,060.

The board is seeking shareholder approval for a renewed share buyback authority at the forthcoming AGM, but it should not be taken for granted that, if duly approved at the AGM, a further buyback programme will necessarily follow. The board will take a view based on the Company's available cash balances from time to time, the relationship between the share price and net asset value, and whether any such additional programme would be to the benefit of shareholders. Renewing the authority provides the board with flexibility in this regard.

Cash at bank as at the date of this report stands at £0.879m such that the Group continues to enjoy a strong cash position and remains cash generative. The Group's undrawn facility with HSBC plc stands at £50,000 and falls due for renewal in October 2021. The board plans to renew the facility but does not currently anticipate having to call upon it.

### **Net asset value**

Every year the board assesses the value of goodwill on the balance sheet and takes a view on whether it remains realistic and justifiable. Despite 2020-21 being unrepresentative of any normal trading period, the board acknowledges that the decline in prospects for our security division caused by lower retail activity will continue. Accordingly, an impairment charge of £200,000 has been incurred against B2BSG in line with good accounting practice. Following careful review, the carrying value of RSA has also been reduced by £50,000. Our RSA subsidiary has seen progressive reductions in spending on the support services provided to environmental health officers at local authorities. Thus, a total charge to intangible assets of £250,000 has been made for the year.

The year-end consolidated net assets of £4.919m have fallen to £4.636m following the recent completion of our share buyback programme. However, in light of the reduced number of ordinary shares in issue (outside treasury), the net asset value per share has risen to 35p compared to 34p at the previous year end.

### **Outlook**

As the country exits from the health crisis and the economy rebounds, we expect the Group to be well positioned to recover to income levels more in line with 2019-20. Inevitably, there will be legacy impacts in particular on the high street where consumers' shopping habits have clearly shifted towards more on-line ordering. Conversely, our systems division and the safety division expect a rebound in activity as clients look to catch-up on projects that were deferred or cancelled during the previous year. Our ability to deliver services remotely as an alternative to a face-to-face offering will also be more appealing to some customers and we will continue to offer this alternative where appropriate in order to meet with client expectation and preferences.

### **Trading update**

Management accounts (unaudited) show total sales revenues and other income across the Group of £926,000 for the first quarter of 2021-22. This amount includes £20,500 of CJRS grants as the Group tapers its previous use of such support. EBITDA for the first quarter was approximately £72,000. This compares with total revenues of £820,000 and EBITBA of £108,300 for the equivalent period last year.

### **Dividends**

A total dividend of 1.0p per ordinary share, (£146,772) was paid in respect of the financial year ended 31 March 2020. An interim dividend of 0.5p in respect of the financial year ended 31 March 2021 was paid in February 2020 and, subject to shareholder approval, a final dividend of 0.5p, to be paid from earnings from the financial year ended 31 March 2021, is proposed for payment in October 2021, matching the total of 1.0p paid last year. Following the share buyback programme completed in June 2021, the cost of the final dividend will fall approximately 11% from £73,386 to £65,375.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

### **PERFORMANCE BY TRADING SUBSIDIARY**

The Group currently measures the following key performance indicators (KPIs).

#### **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 including government grant funding for the year decreased by 16% due to the combined effect of the pandemic and the reduction in our retail client portfolio.

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

The Group achieved an increase in EBITDA from £255,203 in 2019-20 to £504,608 in 2020-21 due to lower overheads and premises-related savings across the Group. In the absence of Government support, EBITDA would have fallen to £63,483. However, this is not a true comparison because in the absence of the CJRS grants the Group would have taken actions to significantly reduce headcount and other costs in response to the hiatus in the economy and trading disruption.

#### **Staff turnover**

Staff turnover is generally 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. This KPI has been retained in 2020-21 but is less informative than normal due to reductions in staff numbers arising from the pandemic. In the year to 31 March 2021, the average number of staff employed across the Group was 41, down from 49 in the previous fiscal year. The decrease arose in part due to redundancies where it was determined that use of the CJRS to support an unsustainable role was inappropriate. There was also a degree of natural wastage where leavers were not replaced.

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

Profit before tax and management charges is reviewed by each subsidiary and by the board every month. Each subsidiary director provides a commentary to enable the board to establish whether intervention of any kind is appropriate.

A summary of the results and activities of our trading subsidiaries is set out below. Where relevant, government grant funding is excluded from revenues, but included in profits. Performance is based on those factors within a subsidiary director's control, so results are shown exclusive of management charges and taxation and any impairment judged necessary. The Group covers its own management costs by levying a charge on each subsidiary and derives other income through the receipt of dividend income from its subsidiaries.

#### **B2BSG Solutions Limited (B2BSG)**

- 2021: revenues of £1,136,600 yielding a profit of £13,800
- 2020: revenues of £1,915,200 yielding a loss of £90,800

The financial year started and ended with the majority of the company's clients in lockdown, with only a short period of reopening during Q3. This inevitably had a heavy impact on sales revenues. With full use made of the CJRS and a grant from the local authority, additional income of £131,906 provided welcome support and led to a small overall pre-tax and management charge profit.



# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

With no expectation that the retail sector will recover to pre-pandemic levels, given the shift to on-line purchasing, difficult decisions were taken regarding staffing levels. Consequently, there were redundancies during the year and these continued after the year end. The business is now operating with around half the headcount with which it started 2020.

Management is confident that the leaner business model will enable the company to take advantage of any upturn in fortunes in the retail environment. Additional encouragement arises from the post-year end securing of a contract with a national grocery chain.

As previously stated in this report, a provision of £22,000 was made for bad debts.

### **Inspection Services (UK) Limited (ISL)**

- 2021: revenues of £213,900 yielding a profit of £31,500
- 2020: revenues of £230,800 yielding a profit of £37,400

ISL was the only member of the Group that did not benefit from government support by way of the CJRS or small business grants from the local authority during the year. This was due to the enforcing authorities having notified duty holders across the UK that the obligation to have plant and equipment examined in line with statutory frequencies was not being relaxed during the pandemic.

Although COVID-19 did not directly affect the obligation on employers to arrange for their plant and equipment to be examined and certificated, the pandemic did cause certain difficulties for ISL. These centred around clients who were unable to arrange access due to site closure or who were reticent about having external personnel on their premises. This made it less efficient when designing engineers' work rotas and resulted in some gaps in utilisation.

Despite these difficulties, ISL achieved revenues approaching £214,000 compared with around £231,000 the year before. EBITDA before management charges was £41,300 which was approximately 7% lower than the £44,500 achieved last year.

The company continues to work predominantly through insurance brokers, with a small percentage of sales made directly to clients. Where work is arranged through brokers, commissions are paid for the introduction.

### **Personnel Health & Safety Consultants Limited (PHSCL)**

- 2021: revenues of £968,900 yielding a profit of £498,000
- 2020: revenues of £763,600 yielding a profit of £302,500

This was a successful year for PHSCL. Sales income grew from £763,600 in the previous year to £968,900 and profit before tax and management charge increased by approximately 65% from £302,500 to £498,000. Despite many client sites being closed or severely restricted in allowing access, the services on offer were adapted to enable business to continue as well as new services to be developed to support clients during the pandemic. Active marketing throughout the year supported the sales process and improved PHSCL's visibility in the health and safety compliance market.

Consultancy income from non-retained clients more than doubled to around £225,000 with new clients opting to work on a more ad-hoc arrangement. These new sales are turning into repeat business and regular client relationships are being forged. In addition, revenue from training courses was up by £20,000, following successful adaption of courses for remote delivery via Zoom and Microsoft Teams during the pandemic. PHSCL was an early adopter of remote learning, having already started to use Zoom before the pandemic. There are also cost savings from this method of training delivery.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

The company continues to meet the accreditation requirements for the ISO 9001 quality management standard, having held this “kitemark” for 24 years since becoming the first organisation of its kind to achieve the standard.

Whilst COVID-19 restrictions have seriously affected many clients, the business has managed to successfully adapt and will utilise the positive benefits from innovation to continue its development into 2021-22. Some projects which had been put on hold are likely to return, and several clients are seeking assistance in developing safety systems to support hybrid working as they emerge from their own lock-down arrangements. The challenge will be to maintain and further develop the growth that has been achieved over the past year, in adverse conditions.

### **QCS International Limited (QCS)**

- 2021: revenues of £500,700 yielding a profit of £121,100
- 2020: revenues of £756,700 yielding a profit of £220,900

The restrictions placed on businesses throughout the COVID-19 pandemic had a significant impact upon the operational activity of QCS, reducing its revenue materially. In particular, there was a major influence upon the company’s ability to deliver training. Despite this, the company has posted a profit for the year, through taking advantage of some opportunities generated by the pandemic as well as the creation of a new service for the medical device sector relating to Brexit changes. These income streams were also supported by the CJRS, which had the effect of ensuring that personnel remained in place and the company was able to take advantage of the improving situation towards the end of the financial year.

Consultancy activity for the year was at or above previous levels. The reduction in normal demand was partly offset by the company offering services relating to COVID-19 assessments. The second significant new source of income arose because, late in 2020, the Brexit withdrawal agreement required medical device manufacturers in the EU to have a UK-based representative. QCS developed a service to meet this obligation and has been able to establish a growing portfolio of new clients requiring this representation.

Public, face-to-face training ceased to be viable during the initial lockdown, partly due to the restrictions placed upon the business but also due to most delegates and their employers wishing to cancel or defer training. Training activity did recommence in mid-2020 only to face another short hiatus at the beginning of 2021. When training was possible, delegate numbers and thus income was capped to ensure we met social distancing and other guidelines to prevent the spread of COVID-19.

Whilst consultancy sales remained broadly on trend at £387,000, the significant loss of training income resulted in an overall shortfall of approximately £250,000 equating to around one third of expected turnover.

The most significant costs faced by the company are those associated with payroll. To assist with maintaining business viability, salary reductions were implemented and the CJRS scheme accessed. Other costs were strictly managed and there were savings associated with reduced business activity.

Towards the end of the financial year there were signs of improving performance. This was supported by the slow easing of lockdown measures along with a return to some public training provision. The first deadline for medical device manufacturers to register on the UK Responsible Person service, described earlier, led to a welcome income stream. These two factors, along with consultancy work continuing to grow in alignment with historic trends, suggests that the company has performed well during the pandemic and is in a strong position to take advantage of a return to more normal trading conditions. All personnel remain in place, our position in the marketplace remains strong and there continues to be a significant interest in the services that QCS offers.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

### **Quality Leisure Management Limited (QLM)**

- 2021: revenues of £234,300 yielding a profit of £99,700
- 2020: revenues of £353,400 yielding a profit of £75,700

QLM made a profit before central management charges and tax of £99,700. Excluding £54,400 received from the CJRS and business grants, the resulting profit of £45,300 (2020:£75,700) shows the negative impact of COVID-19. QLM's core client base saw unprecedented restrictions throughout the financial period and most clients were required to close for protracted periods. Those that were able to reopen did so under controls that severely limited their earning potential and their appetite for buying in external services such as those provided by QLM.

Clients placed significant reliance on QLM's health and safety support service during 2020–21. This resulted in a high number of general enquiries and requests for assistance in interpreting the latest government advice, however, much of this support was under the auspices of the general adviser service and did not result in extra income.

Auditing demand was significantly reduced for the year. Closures, legislation and government guidance, including localised interpretation, meant that auditing for the most part only took place during periods of lifted restrictions.

Training was developed and revised to be run via video conferencing. After some initial cancellations and after clarification of government funding initiatives, training courses resumed online. QLM's (CIMSPA endorsed) Health and Safety Management Certificate in Leisure and Culture remains popular and a valuable income stream.

The number of retained clients remained largely unchanged, with relatively normal fluctuations observed as leisure trust contracts were won and lost and new trusts came into being.

A shared part-time administrator employed by another subsidiary, was made redundant during the year, and was not replaced.

### **RSA Environmental Health Limited (RSA)**

- 2021: revenues of £235,100 yielding a profit of £57,400
- 2020: revenues of £418,100 yielding a profit of £83,500

Revenue for the year was down by approximately 44% to £235,100. Income received from the CJRS and business grants of £73,600 was instrumental in turning a potential loss into a profit of £57,400 before central management charges and tax.

The COVID-19 pandemic had a significant effect on the revenues the company could generate within the principal areas of the economy that it operates. For the first five months of the financial year there was a reliance on the CJRS and local authority grant funding to help support revenues and cover costs. For the remaining seven months of the financial year the company did see something of a return to more normal trading, as legal restrictions allowed various sectors to open.

To help mitigate the reduction in revenues, the company decided to make redundant a part-time administrator in July 2020. Another consultant decided to resign from their position from December 2020 and this was reluctantly accepted. Other staff and some associates were utilised to make up the shortfall in fee-earning ability over the final quarter of the year as an alternative to recruiting a replacement. That decision helped with profitability for the year and enabled us to deal with the peaks and troughs of demand at that time.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

In previous years, the focus of the company has been on the SafetyMARK brand, providing safety services to the schools sector. However, with schools closed for much of the time, this particular financial year saw the need to bring in revenues from wherever possible to meet the demands of clients and match the skillsets of the available staff members. Revenues fall into four main categories: training, health and safety consultancy, food safety consultancy and SafetyMARK.

SafetyMARK whilst remaining the focus, saw revenues fall to around £87,000. This was due to no new audits being conducted in the first quarter because schools were effectively closed to external visitors. For the remainder of the year, revenues were on a par with previous years and there remains a strong demand for our services.

Training income saw a reduction due to a decrease in the numbers of courses being requested by clients. A change in delivery methods has helped to alleviate the loss of face-to-face training. Virtual courses remain popular and will form part of our offering into the future due to the reduction in associated costs and an appetite by clients.

Health and safety consultancy and advisory services saw the biggest change in demand for the year 2020-21 due to the cessation of a large contract in the hospitality sector. Some consultancy work had to be postponed until later in the year, but this was replaced with other works that could be completed during the pandemic. Some work has been undertaken to promote various services to utilise the skills of the consultants present within the company.

Food safety consultancy has seen a significant reduction in demand in the past year and remains challenging in some hospitality sectors. The contracts with schools have continued but those with commercial companies had to be renegotiated as many clients indicated that they were re-opening on a very limited basis.

### **PHSC plc**

- 2021: net loss of £382,400 before management charges, exceptional costs, interest and dividends received
- 2020: net loss of £424,100 before management charges, exceptional costs, interest 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 its subsidiaries and the 20% reduction in salaries accepted by the directors during the height of the pandemic.

### ***PRINCIPAL RISKS AND UNCERTAINTIES***

#### **Pandemic**

The full financial impact of the coronavirus pandemic involving the spread of COVID-19 was felt in 2020-21.

As government guidance evolved, the plan for each subsidiary 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.

Initially, 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. As lockdown restrictions eased, staff adopted a more flexible approach, working from home, the office or clients' premises as deemed appropriate. A key focus involved protecting PHSC's reputational risk by ensuring staff adhered to government guidelines.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

The use of Microsoft Teams and Zoom to keep in touch with staff and clients was swiftly adopted with training offered where necessary. Materials for training courses were updated and adapted to enable on-line training to be delivered wherever possible. The operational directors regularly met via Zoom for a business update and to share knowledge and best practice. Board meetings were also undertaken as scheduled via Zoom.

Initially income from the CJRS and business grants played a key role in maintaining cash flow, though as the businesses adapted, this reliance became less and is now at a minimal level.

In terms of liquidity risk, the Group had a strong cash position at the outset of the year and with monies from government schemes and good credit control, the Group has remained cash generative. The expectation for 2021-22 is that the Group will return to profitability, before grant income.

As the country exits from the health crisis and the economy rebounds, it is expected that the Group will be well positioned to recover to income levels more in line with 2019-20. Inevitably, there will be legacy impacts in particular on the high street where consumers' shopping habits have shifted towards on-line ordering. Conversely, the systems division and the safety division expect a rebound in activity as clients look to catch-up on projects that were deferred or cancelled in the previous year. The Group's ability to deliver services remotely as an alternative to a face-to-face offering will be more appealing to some customers and this alternative will continue to be offered where appropriate.

### **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.

The Group's security division has updated its operating procedures to ensure compliance with relevant Brexit related legislation. Professional advice has been sought as needed. Matters outside the Group's control include delays caused at customs if administrative demands on border officials are suddenly increased, resulting in slower clearance times for imported goods.

In terms of the risk that the value of sterling deteriorates, the Group can take reasonable steps to hedge against the effects of a weaker pound, with customers being advised to consider pre-ordering and/or increasing their stock levels in respect of those products supplied by the Group's security division which they see as being 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 weak 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

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

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 managing director of each subsidiary company, which forms the basis of the Group's strategic plan. The board requires that the plans include financial forecasts, KPIs, marketing strategy and an analysis of strengths, weaknesses, opportunities, and threats. Subsidiary directors, via the Group's 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 its 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 escalated to the operational board and the main board if appropriate. Each subsidiary has its own bonus scheme, based on results for the financial year and/or tailor-made targets. 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.



# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

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. A review has been conducted to identify any gender-related pay anomalies across the Group and found there to be no such anomalies.

### **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 Group's supply chains and can be viewed on our website ([www.phsc.plc.uk](http://www.phsc.plc.uk)).

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. This policy is also available on our website.

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, interaction via various social media platforms (such as Twitter, LinkedIn and Facebook) and regular client meetings. An ongoing dialogue is held electronically, with most clients subscribing to email updates that are sent out periodically.

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 our website. 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 requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. For most of 2020-21 the COVID-19 pandemic and the consequent Government-imposed lockdowns and restrictions severely impacted upon our activities. Perhaps counter-intuitively, the outcome of the severely disrupted trading year was a higher profit than in the prior year. The board's expectations were exceeded, with the initial dire predictions having proved to be overly cautious and the agility of our subsidiaries enabling us to retain more work than first expected. Cash reserves ended the year at a high level and remain strong after the recent successful share buyback programme. The board is satisfied that this, along with the Group's cash-generative trading position and (unused) banking facility will ensure that there are sufficient resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2021*

On behalf of the board, I must thank all our shareholders for their ongoing loyalty and support. This year more than ever the board is grateful for the way in which each employee has met the challenges they have had to face. This includes new ways of working and having to show a high degree of flexibility. Whether on furlough, working from home, or carrying on with client-facing activity, the spirit of teamwork and mutual support has greatly assisted in bringing the Group through a very difficult period.

### **On behalf of the board**

**Stephen King**

*Group Chief Executive*

29 July 2021



# PHSC plc

## REPORT OF THE DIRECTORS

*for the year ended 31 March 2021*

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2021.

### **DIRECTORS**

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

SA 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 2020; half was paid in February 2020 and the balance in October 2020. An interim dividend of 0.5p in respect of the financial year ended 31 March 2021 was paid in February 2021 and a final dividend of 0.5p is proposed for payment in October 2021, 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 15 October 2021 to shareholders on the register on 1 October 2021.

### **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 39.

### **SHARE CAPITAL**

The issued share capital of the Company (outside treasury) as at the date of this report is 13,075,060 ordinary shares of 10p each. The Company holds 1,602,197 ordinary shares in treasury with no voting rights attached.

### **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 29 July 2021, the following persons had notified the Company of an interest of 3% or more of its issued share capital.

<b>Name</b>	<b>No. of ordinary shares</b>	<b>% of issued share capital</b>
SA King	2,833,132	21.67
N C Coote	2,792,013	21.35
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	1,249,057	9.55
James Faulkner	455,000	3.48

### **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.

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2021*

### **ANNUAL GENERAL MEETING**

This year's AGM will be held at 10.00 a.m. on Thursday 30 September 2021 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 68 to 70 of this document and a form of proxy is on page 71. We are mindful that the UK government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings may be subject to change at short notice. Should physical attendance at the Company's AGM 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 a 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 15 October 2021 to shareholders on the register of members at the close of business on 1 October 2021.

### **Re-election of directors (Resolution 3)**

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

### **Appointment of auditor (Resolution 4)**

A resolution for the re-appointment of Crowe U.K. LLP as the Company's 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 2022, to allot securities up to an aggregate nominal amount of £435,835 being equivalent to one third of the Company's issued share capital as at 29 July 2021.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 30 September 2022, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to an aggregate nominal amount of £261,501 being equivalent to 20% of the Company's issued share capital (outside treasury) as at 29 July 2021. It is intended to renew this authority and power at each AGM.

### **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 2022 to purchase in the market up to a maximum of 1,961,259 ordinary shares (equivalent to approximately 15% of the issued share capital of the Company as at 29 July 2021) 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 will 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 further

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2021*

share buybacks, 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 currently holds 1,602,197 ordinary 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 further 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 attend the AGM. Returning a form of proxy will not prevent you from attending the meeting and voting in person if you wish. Shareholders are reminded that the UK government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings may be subject to change at short notice and 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 lockdown has increased business activity with most fee earning staff returning to full employment. One member of staff in the retail security division has been made redundant since the year end to tailor the cost base to the current level of demand.

With cash at bank comfortably exceeding £1.0m at the financial year end the board took the decision to utilise the authority granted at last year's AGM to launch a share buyback programme. This was announced on 13 May 2021 and completed on 16 June 2021. Over that period, the Group's broker was able to repurchase a total of 1,602,197 ordinary shares on the Company's behalf for a total consideration of approximately £0.325m.

### **On behalf of the board**

**SGH Company Secretaries Limited**

*Secretary*

29 July 2021

# PHSC plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*for the year ended 31 March 2021*

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) in conformity with the requirements of the Companies Act 2006.

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 accept 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.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT

*for the year ended 31 March 2021*

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 that 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 for Companies which 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 4 to 14.

#### ***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.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2021*

### **CONSIDERING STAKEHOLDER AND SOCIAL RESPONSIBILITIES**

The board recognises its responsibilities to stakeholders including staff, suppliers, customers and the communities 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 12.

### **EMBEDDING EFFECTIVE RISK MANAGEMENT**

The board regularly reviews the risks facing the business as outlined on pages 10 to 12 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 39.

### **MAINTAINING A BALANCED AND WELL-FUNCTIONING BOARD, WITH APPROPRIATE SKILLS AND CAPABILITIES**

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 PHSC. 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 16 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 on the next page.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2021*

### **Stephen King**

*Group Chief Executive and Chair*

Stephen King co-founded PHSC 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 PHSC. He has acted as secretary of the south east branch of the Institution of Occupational Safety and Health (IOSH) 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 for a charity operating a group of care homes and as chair of trustees for a local animal sanctuary.

### **Nicola Coote**

*Deputy Group Chief Executive and Deputy Chair*

Nicola Coote co-founded PHSC in 1990 with Stephen King, after working with him in occupational safety and health at both News International and Reuters plc. Nicola is Deputy CEO which includes heading the marketing function of PHSC plc. Nicola has served as secretary of the southeast branch of IOSH and has chaired the annual Tolley Health and Safety Conference. She continues to write and update editorial material for their publication Tolley's Health & Safety at Work Handbook and has acted as author, consultant editor or contributor to more than 30 titles produced by publishers such as Croom Helm. She was the first female fellow of IOSH in the south of England and continues to support the institution by, inter alia, sitting on the panel for applicants applying for chartered membership and chartered fellowship status. She is also a registered expert witness and works on both criminal and civil cases.

### **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 chair 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 chair 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 chair of the Kent Business Awards for 9 years and chair 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 chair 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 chair 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 is on the advisory board of Indigo Independent Governance and is a former non-executive director of City of London Group plc, an AIM quoted company in the financial services sector where she chaired the remuneration committee. 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 a UK top 50 law firm, where she was a partner. She left the firm in February 2019 to pursue her own consultancy interests once



# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2021*

more. She is an accredited mediator and honorary treasurer of 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 the previous principle, 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 as set out on page 20.

#### ***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. Both of the executive directors work full-time.

#### ***Attendance at meetings***

	Board	Audit	Remuneration
Stephen King*	5/5	2/2	1/1
Nicola Coote*	5/5	2/2	1/1
Graham Webb	5/5	2/2	1/1
Lorraine Young	5/5	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. They do not participate in discussions concerning their own remuneration.

#### ***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. These were discussed particularly in relation to the impact of the COVID-19 pandemic, including risks (such as cybersecurity) associated with staff working from home. 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. This year the committee discussed the proposed impairment provisions in relation to B2BSG and RSA, stock provisions in B2BSG and going concern as well as other matters in the audit findings report. There were no changes in accounting standards or disclosure requirements this year which the committee needed to consider.

The committee does consider the continuing independence of the external auditor and notes the level of non-audit fees to ensure they remain at an acceptable level. 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.



# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

for the year ended 31 March 2021

### **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 receives 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 31.3.21					Post employment benefits		Year ended
	Short term employee benefits				Benefits	Pension	Total	31.3.20
	Salary	Bonus	Waiver	Pension salary sacrifice				Total
	£	£	£	£	£	£	£	£
S A King	93,000	3,065	(19,959)	(11,600)	2,399	15,247	82,152	93,061
N C Coote	75,000	3,065	(6,698)	(5,400)	1,974	8,545	76,486	78,481

The benefits relate to health insurance and both directors opted to take their bonus as a pension contribution. All board members accepted a 20% reduction to their salaries during the height of the pandemic (from May to October 2020).

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

	Year ended	Year ended
	31.3.21	31.3.20
	£	£
G N Webb	13,500	15,000
L E Young	13,500	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.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2021*

### **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.

### **SGH Company Secretaries Limited**

*Secretary*

29 July 2021

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

*for the year ended 31 March 2021*

### **OPINION**

We have audited the financial statements of PHSC plc (parent Company) and its subsidiaries (Group) for the year ended 31 March 2021, which comprise:

- the Group statement of comprehensive income for the year ended 31 March 2021;
- the Group and parent Company statements of financial position as at 31 March 2021;
- 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 accounting standards in conformity with the requirements of the Companies Act 2006, 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with the provisions 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**

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained and reviewed management's trading budgets and cash flow forecasts. In addition to the review of arithmetical accuracy, we also discussed the key assumptions with management and ensured they are reasonable with our understanding of the business and sector. The trading budget and cash flow forecast show the Group as being profitable and cash generative throughout the forecast period. Our assessment included undertaking sensitivity analysis on these forecasts and considered the feasibility of results in light of past losses and recent economic conditions.
- We reviewed the board minutes and discussed with management any matters not documented in the minutes. The review indicated that the Group had been less negatively affected than they had budgeted by the COVID-19 pandemic.
- We enquired with management whether there are any significant subsequent events that may impact on our going concern status.

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2021*

In addition to the above we noted that the Group has significant cash reserves at 31 March 2021 and is in a strong net asset position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions, that individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **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.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £21,000 (2020: £28,000), based on a percentage of Group profit before tax.

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 overall audit materiality as adjusted for the judgements made about entity risk and our evaluation of the specific risk for each audit area. Group performance materiality was set at 56% (2020: 56%) of overall materiality, which equates to £11,760 (2020: £15,680). We applied this percentage in our determination of performance materiality based on medium level risk profile overall.

Where high specific risk has been identified or where considered appropriate, in such areas as directors remuneration or related parties, performance materiality was reduced to 48% (2020: 48%) of overall materiality.

We agreed with the audit committee to report all identified errors in excess of £2,500 (2020: £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.

We considered going concern to be a key audit matter. Our observations on this area are set out in the Conclusions relating to Going Concern section of the audit report.

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2021*

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

<b>Key audit matter</b>	<b>How the scope of our audit addressed the key audit matter</b>
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 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.

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.

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2021*

#### **RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS**

As explained more fully in the directors' responsibilities statement set out on page 18, 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.

#### **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.

#### **EXTENT TO WHICH THE AUDIT IS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and Taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and the recognition of revenue. Our audit procedures to respond to these risks included:

- enquiry of management about the Group's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of the board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence with any legal firms;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- detailed testing of a sample of sales made during the year and around the year and agreeing these through to invoices and receipts;
- testing the appropriateness of a sample of significant journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2021*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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](http://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

29 July 2021

**GROUP STATEMENT OF FINANCIAL POSITION**

as at 31 March 2021

	Note	31.3.21 £	31.3.20 £
<b>Non-Current Assets</b>			
Property, plant and equipment	5	529,413	592,539
Goodwill	6	3,028,463	3,278,463
Deferred tax asset	14	2,017	19,582
		<u>3,559,893</u>	<u>3,890,584</u>
<b>Current Assets</b>			
Stock	8	259,760	264,301
Trade and other receivables	7	590,128	885,947
Cash and cash equivalents	9	1,237,483	755,919
		<u>2,087,371</u>	<u>1,906,167</u>
<b>Total Assets</b>		<b>5,647,264</b>	<b>5,796,751</b>
<b>Current Liabilities</b>			
Trade and other payables	11	518,245	622,938
Right of use lease liabilities	13	31,856	34,071
Current corporation tax payable		88,011	40,250
		<u>638,112</u>	<u>697,259</u>
<b>Non-Current Liabilities</b>			
Right of use lease liabilities	13	38,865	69,912
Deferred tax liabilities	14	50,988	51,256
		<u>89,853</u>	<u>121,168</u>
<b>Total Liabilities</b>		<b>727,965</b>	<b>818,427</b>
<b>Net Assets</b>		<b>4,919,299</b>	<b>4,978,324</b>
<b>Capital and reserves attributable to equity holders of the Group</b>			
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		1,258,092	1,317,117
		<u>4,919,299</u>	<u>4,978,324</u>

The financial statements were approved and authorised for issue by the board of directors on 29 July 2021, and were signed on its behalf by:

**S A King**

Director

The accounting policies and notes on pages 34 to 67 form part of these financial statements.



# PHSC plc

## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

	Note	31.3.21 £	31.3.20 £
<b>Continuing operations:</b>			
Revenue		3,289,462	4,437,922
Cost of sales	15	(1,764,915)	(2,251,867)
Gross profit		1,524,547	2,186,055
Administrative expenses	15	(1,528,160)	(1,983,046)
Goodwill impairment	6	(250,000)	(200,000)
Government grants	16	441,125	-
Other income		1,477	-
Profit from operations		188,989	3,009
Finance income	19	999	1,990
Profit before taxation		189,988	4,999
Corporation tax expense	20	(102,241)	(20,548)
<b>Profit/(loss) for the year after tax attributable to owners of the parent</b>		<b>87,747</b>	<b>(15,549)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) attributable to owners of the parent</b>		<b>87,747</b>	<b>(15,549)</b>
Basic and diluted earnings/(loss) per share from continuing operations	21	<b>0.60p</b>	(0.11)p

The accounting policies and notes on pages 34 to 67 form part of these financial statements.

# PHSC plc

## GROUP STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 March 2021*

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
<b>Balance at 1 April 2019</b>	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)
<b>Balance at 31 March 2020</b>	<u>1,467,726</u>	<u>1,916,017</u>	<u>133,836</u>	<u>143,628</u>	<u>1,317,117</u>	<u>4,978,324</u>
<b>Balance at 1 April 2020</b>	1,467,726	1,916,017	133,836	143,628	1,317,117	4,978,324
Profit for year attributable to equity holders	-	-	-	-	87,747	87,747
Dividends	-	-	-	-	(146,772)	(146,772)
<b>Balance at 31 March 2021</b>	<u>1,467,726</u>	<u>1,916,017</u>	<u>133,836</u>	<u>143,628</u>	<u>1,258,092</u>	<u>4,919,299</u>

*The accounting policies and notes on pages 34 to 67 form part of these financial statements.*

# PHSC plc

## GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	31.3.21 £	31.3.20 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	I	702,188	346,847
Tax paid		(37,183)	(32,017)
<b>Net cash generated from operating activities</b>		<b>665,005</b>	<b>314,830</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(8,739)	(39,529)
Disposal of fixed assets		4,333	2,250
Interest received		999	1,990
<b>Net cash used in investing activities</b>		<b>(3,407)</b>	<b>(35,289)</b>
<b>Cash flows used in financing activities</b>			
Payments on right of use assets		(33,262)	(19,316)
Dividends paid to shareholders		(146,772)	(146,772)
<b>Net cash used in financing activities</b>		<b>(180,034)</b>	<b>(166,088)</b>
<b>Net increase in cash and cash equivalents</b>		<b>481,564</b>	<b>113,453</b>
Cash and cash equivalents at beginning of year		755,919	642,466
<b>Cash and cash equivalents at end of year</b>		<b>1,237,483</b>	<b>755,919</b>

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 2021

	31.3.21 £	31.3.20 £
<b>I. CASH GENERATED FROM OPERATIONS</b>		
Profit from operations	188,989	3,009
Depreciation charge	65,619	52,194
Goodwill impairment	250,000	200,000
Loss on sale of fixed assets	1,913	4,430
Decrease in stock	4,541	52,255
Decrease in trade and other receivables	295,819	87,183
Decrease in trade and other payables	(104,693)	(52,224)
<b>Cash generated from operations</b>	<b>702,188</b>	<b>346,847</b>

# PHSC plc

## ACCOUNTING POLICIES

*for the year ended 31 March 2021*

### **General information**

PHSC plc is quoted on the AIM market operated by London Stock Exchange plc and is incorporated in England and Wales under the Companies Act 2006. The address of its registered office is set out in the Company information schedule at the front of this annual report. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 4 to 14. 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 in conformity with the requirements of the Companies Act 2006, International Financial Reporting Intermediate Committee (IFRIC) interpretations and 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 13.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity 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 of its subsidiary undertakings made up to 31 March 2021.

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.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2021*

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

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 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.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the entity's incremental borrowing rate on commencement of the lease is used. The effect of discounting is considered immaterial to the financial statements, so the values recorded represent the gross undiscounted amounts.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

### 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.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2021*

### **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 assets 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**

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 Group 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.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2021*

### 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.

### 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.

<b>Revenue stream</b>	<b>Nature, timing of satisfaction of performance obligations and significant payment terms</b>
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 adviser 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.
Services: UK Responsible Person Service	Revenue is apportioned across the year using pre-set percentages reflecting the associated work load each month.
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.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2021*

### **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.



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2021

### 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 seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the board which evaluates and manages 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 growth.

#### Market risk

The Group has interest-bearing assets which are subject to a variable rate of interest. Accordingly, 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 potential 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 £
<b>At 31 March 2021</b>				
Trade and other payables	518,245	-	-	-
Lease liabilities	31,856	38,865	-	-
<b>At 31 March 2020</b>				
Trade and other payables	622,938	-	-	-
Lease liabilities	34,071	69,912	-	-

#### 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 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 currency exchange 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 2024, 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 £17,243 (2020: £28,890) has been identified as slow moving within B2BSG and a 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 the 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 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 6 to 10.

The following table shows the Group's revenue and results for the year under review analysed by operating segment. Segment operating profit represents the trading profit after depreciation, but before tax and management 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	Other income £'000	Depreciation £'000	Operating profit/ (loss)* £'000	Net interest £'000	Profit/ (loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Goodwill impairment £'000	Profit after tax £'000
<b>Year ended 31 March 2021</b>										
Security division - B2BSG	1,136	133	10	14	-	14	8	(19)	-	
Health and safety division										
ISL	214	-	10	31	-	31	(4)	-	-	
PHSCL	969	53	2	498	-	498	(89)	-	-	
QLM	234	55	6	100	-	100	(15)	-	-	
RSA	235	74	5	57	-	57	(6)	-	-	
	<u>1,652</u>	<u>182</u>	<u>23</u>	<u>686</u>	<u>-</u>	<u>686</u>	<u>(114)</u>	<u>-</u>	<u>-</u>	
Quality systems division - QCS	501	83	18	121	-	121	(18)	1	-	
Holding company - PHSC plc	-	45	15	(382)	1	(381)	39	1	-	
<b>Total</b>	<b><u>3,289</u></b>	<b><u>443</u></b>	<b><u>66</u></b>	<b><u>439</u></b>	<b><u>1</u></b>	<b><u>440</u></b>	<b><u>(85)</u></b>	<b><u>(17)</u></b>	<b><u>(250)</u></b>	<b><u>88</u></b>

	Revenue £'000	Other income £'000	Depreciation £'000	Operating profit/ (loss)* £'000	Net interest £'000	Profit/ (loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Goodwill impairment £'000	Loss after tax £'000
<b>Year ended 31 March 2020</b>										
Security division - B2BSG	1,915	-	6	(91)	-	(91)	27	-	-	
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)	-	-	
	<u>1,766</u>	<u>-</u>	<u>17</u>	<u>499</u>	<u>-</u>	<u>499</u>	<u>(78)</u>	<u>-</u>	<u>-</u>	
Quality systems division - QCS	757	-	13	221	-	221	(37)	1	-	
Holding company - PHSC plc	-	-	16	(426)	2	(424)	70	(6)	-	
<b>Total</b>	<b><u>4,438</u></b>	<b><u>-</u></b>	<b><u>52</u></b>	<b><u>203</u></b>	<b><u>2</u></b>	<b><u>205</u></b>	<b><u>(18)</u></b>	<b><u>(2)</u></b>	<b><u>(200)</u></b>	<b><u>(15)</u></b>

\* Operating profit/(loss) pre impairment.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 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
<b>As at 31 March 2021</b>								
Security division - B2BSG	5	238	82	320	(61)	(1)	(62)	258
Health and safety division								
ISL	-	15	106	121	(79)	(4)	(83)	38
PHSCL	1	5	372	377	(159)	(1)	(160)	217
QLM	-	14	154	168	(109)	(6)	(115)	53
RSA	-	467	128	595	(61)	(2)	(63)	532
	1	501	760	1,261	(408)	(13)	(421)	840
Quality systems division - QCS	1	78	175	253	(137)	(30)	(167)	86
Holding company - PHSC plc	2	3,514	1,070	4,584	(32)	(38)	(70)	4,514
Sub-total	9	4,331	2,087	6,418	(638)	(82)	(720)	5,698
Consolidation adjustments								
To goodwill	-	(773)	-	(773)	-	-	-	(773)
To deferred tax	-	2	-	2	-	(8)	(8)	(6)
<b>Total</b>	<b>9</b>	<b>3,560</b>	<b>2,087</b>	<b>5,647</b>	<b>(638)</b>	<b>(90)</b>	<b>(728)</b>	<b>4,919</b>

	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
<b>As at 31 March 2020</b>								
Security division - B2BSG	1	267	181	447	(152)	(1)	(153)	294
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
Sub-total	40	4,666	1,906	6,572	(697)	(115)	(812)	5,760
Consolidation adjustments								
To goodwill	-	(778)	-	(778)	-	-	-	(778)
To deferred tax	-	2	-	2	-	(6)	(6)	(4)
<b>Total</b>	<b>9</b>	<b>3,890</b>	<b>1,906</b>	<b>5,796</b>	<b>(697)</b>	<b>(121)</b>	<b>(818)</b>	<b>4,978</b>

Revenues from one customer within B2BSG totalled £462,316 (2020 - £355,632), representing more than 10% of its total revenue.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 4. AUDITOR'S REMUNERATION

	31.3.21 £	31.3.20 £
<b>Audit</b>		
Fees payable to the Company's auditor for the audit of the annual parent Company and consolidated accounts	2,530	6,150
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	20,460	19,340
<b>Total audit</b>	<b>22,990</b>	<b>25,490</b>
<b>Tax</b>		
Tax compliance services	7,200	7,140
Tax advisory services	2,000	2,000
<b>Total tax</b>	<b>9,200</b>	<b>9,140</b>
<b>Total</b>	<b>32,190</b>	<b>34,630</b>

### 5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Right of use assets £	Totals £
<b>COST</b>						
At 1 April 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)	-	(36,802)
<b>At 31 March 2020</b>	<b>571,270</b>	<b>100,132</b>	<b>144,706</b>	<b>9,060</b>	<b>123,299</b>	<b>948,467</b>
Additions	-	-	8,739	-	-	8,739
Disposals	-	-	(20,012)	(9,060)	-	(29,072)
<b>At 31 March 2021</b>	<b>571,270</b>	<b>100,132</b>	<b>133,433</b>	<b>-</b>	<b>123,299</b>	<b>928,134</b>
<b>DEPRECIATION</b>						
At 1 April 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)
<b>At 31 March 2020</b>	<b>187,904</b>	<b>42,412</b>	<b>100,825</b>	<b>5,471</b>	<b>19,316</b>	<b>355,928</b>
Charge for year	8,838	7,642	15,877	-	33,262	65,619
Disposals	-	-	(17,355)	(5,471)	-	(22,826)
<b>At 31 March 2021</b>	<b>196,742</b>	<b>50,054</b>	<b>99,347</b>	<b>-</b>	<b>52,578</b>	<b>398,721</b>
<b>NET BOOK VALUE</b>						
<b>At 31 March 2021</b>	<b>374,528</b>	<b>50,078</b>	<b>34,086</b>	<b>-</b>	<b>70,721</b>	<b>529,413</b>
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

Depreciation expenses of £65,619 (2020: £52,194) are included in administrative expenses in the statement of comprehensive income.

The net book value of right of use assets includes £38,523 (2020: £49,798) in relation to short term lease hold property and £32,198 (2020: £54,185) in relation to motor vehicles.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 6. GOODWILL

	Goodwill £
<b>COST</b>	
At 1 April 2019 and 2020	5,514,547
Additions	-
<b>At 31 March 2021</b>	<b>5,514,547</b>
<b>IMPAIRMENT</b>	
At 1 April 2019	2,036,084
Impairment	200,000
At 31 March 2020	2,236,084
Impairment	250,000
<b>At 31 March 2021</b>	<b>2,486,084</b>
<b>NET BOOK VALUE</b>	
<b>At 31 March 2021</b>	<b>3,028,463</b>
At 31 March 2020	3,278,463
At 31 March 2019	3,478,463

#### 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:

	31.3.21 £	31.3.20 £
B2BSG Solutions Limited	676,178	876,178
Inspection Services (UK) Limited	205,207	205,207
Personnel Health & Safety Consultants Limited	594,952	594,952
QCS International Limited	417,638	417,638
Quality Leisure Management Limited	582,844	582,844
RSA Environmental Health Limited	551,644	601,644
Total goodwill for Group	<b>3,028,463</b>	3,278,463

The directors have estimated the value-in-use of goodwill by discounting estimated future cash flows in accordance with IFRS. Management have prepared forecasts for 2021-22 bearing in mind the continuing, all be it reduced, impact of COVID-19 and then have assessed whether it is appropriate to assume that this level of performance will be maintained or improved over the following two years. Forecast performance for the third year, 2023-24, is then assumed 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% (2020 - 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 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 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	2,938,103	65,445	61
RSA Environmental Health Limited*	(44,613)	63,963	7
Inspection Services (UK) Limited	13,040	22,573	14
Quality Leisure Management Limited	186,611	64,113	23
QCS International Limited	45,998	45,940	16
B2BSG Solutions Limited**	(178,121)	48,190	7

Every year the board assesses the value of goodwill on the balance sheet and takes a view on whether this is realistic and justifiable. Despite 2020-21 being unrepresentative of any normal trading period, the board acknowledges that the decline in prospects for the security division caused by lower retail activity will continue. Accordingly, an impairment of £200,000 has been made against B2BSG on the basis that the remaining goodwill can be supported by the value-in-use calculation. Following careful review, the carrying value of RSA has been reduced by £50,000. This subsidiary has seen progressive reductions in spending on support services provided to environmental health officers at local authorities.

\* Figures stated prior to the impairment charge of £50,000

\*\* Figures stated prior to the impairment charge of £200,000

#### *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 additional impairment charges as follows:

	Reduction in revenue of 3% £	Increase in discount rate of 1% £
B2BSG Solutions Limited	-	-
RSA Environmental Health Limited	10,842	8,238

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 7. TRADE AND OTHER RECEIVABLES

	31.3.21 £	31.3.20 £
Trade receivables	481,161	782,621
Less provision for impairment of trade receivables	<b>(2,345)</b>	(15,463)
Trade receivables (net)	478,816	767,158
Social security and other taxes	658	-
Other debtors and prepayments	106,583	104,520
Contract assets	4,071	14,269
Total	<b>590,128</b>	885,947

At 31 March 2021 there were £2,345 impaired trade receivables (2020: £15,463).

The ageing of receivables are as follows:

	31.3.21 £	31.3.20 £
Up to 3 months	443,567	703,571
3 - 6 months	16,954	28,588
Over 6 months	20,640	50,462
	<b>481,161</b>	782,621

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

	31.3.21 £	31.3.20 £
At 1 April	15,463	1,000
Provision for receivables impairment	1,883	15,001
Release of provision	<b>(15,001)</b>	(538)
At 31 March	<b>2,345</b>	15,463

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. Debts older than 90 days have either been provided for or are considered fully recoverable based on the customer's payment history and current trading situation.

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.

Trade receivables and contract assets are the only types of financial asset within the Group that are subject to IFRS 9's expected credit loss model. The Group has taken into consideration the requirements of IFRS 9 for these classes of asset as there is always considered some form of risk of default. Using the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance, did not lead to a material change in the impairment of trade receivables or contract assets, so no adjustment was made.



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 8. STOCK

	31.3.21 £	31.3.20 £
Stocks	<u>259,760</u>	<u>264,301</u>

£37,462 of stock was written down in the current year (2020 - £28,890). The value of stock consumed and recognised as an expense was £684,561 (2020 - £898,299).

### 9. CASH AND CASH EQUIVALENTS

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

	31.3.21 £	31.3.20 £
Cash at bank and in hand	<u>1,237,483</u>	<u>755,919</u>

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

### 10. CALLED UP SHARE CAPITAL

	Number of shares (Nominal value of 10p)	Ordinary shares £	Share premium £	Total £
<b>Called up, allotted and fully paid</b>				
At 31 March 2020 and 2021	<u>14,677,257</u>	<u>1,467,726</u>	<u>1,916,017</u>	<u>3,383,743</u>

### 11. TRADE AND OTHER PAYABLES

	31.3.21 £	31.3.20 £
Trade payables	73,087	132,396
Social security and other taxes	163,759	210,247
Other payables	5,403	9,721
Accruals	42,364	54,243
Contract liabilities	<u>233,632</u>	<u>216,331</u>
Total	<u>518,245</u>	<u>622,938</u>

### 12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. The Group has an overdraft facility of £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 scheduled for review in October 2021.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 13. LEASES

	Land & Buildings £	Motor Vehicles £	Total £
Amounts due within 1 year – right of use lease liabilities	11,275	20,581	31,856
Amounts due over 1 year – right of use lease liabilities	27,248	11,617	38,865
<b>Total</b>	<b>38,523</b>	<b>32,198</b>	<b>70,721</b>

### 14. DEFERRED TAX

	Tax losses carried forward £	Accelerated capital allowances £	Other short-term temporary differences £	Total £
<b>Deferred tax asset</b>				
At 1 April 2019	17,561	-	66	17,627
Credited/(debited) to income statement	2,021	-	(66)	1,955
At 31 March 2020	19,582	-	-	19,582
Credited/(debited) to income statement	(17,565)	-	-	(17,565)
<b>At 31 March 2021</b>	<b>2,017</b>	<b>-</b>	<b>-</b>	<b>2,017</b>
	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
<b>Deferred tax liabilities</b>				
At 1 April 2019	31,269	9,887	5,157	46,313
Debited to income statement	3,679	1,264	-	4,943
At 31 March 2020	34,948	11,151	5,157	51,256
Debited/(credited) to income statement	-	(7,727)	7,459	(268)
<b>At 31 March 2021</b>	<b>34,948</b>	<b>3,424</b>	<b>12,616</b>	<b>50,988</b>

Deferred tax has been provided on the revalued fixed assets at 19% (2020: 19%). At present it is not envisaged that any tax will become payable in the foreseeable future.

### 15. EXPENSES BY NATURE

	31.3.21 £	31.3.20 £
Cost of sales	968,246	1,463,499
Staff related costs	1,766,578	1,957,161
Premises costs	64,514	72,786
Professional fees	165,147	170,677
Other expenses	328,590	570,790
Goodwill impairment	250,000	200,000
<b>Total cost of sales and administrative expenses</b>	<b>3,543,075</b>	<b>4,434,913</b>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 16. GOVERNMENT GRANTS

	31.3.21 £	31.3.20 £
Coronavirus Job Retention Scheme	379,839	–
Business grants	61,286	–
	<u>441,125</u>	<u>–</u>

### 17. EMPLOYEES

Staff costs (including executive directors)

	31.3.21 £	31.3.20 £
Wages and salaries	1,505,609	1,685,549
Social security costs	154,236	171,818
Other pension costs	72,249	73,331
	<u>1,732,094</u>	<u>1,930,698</u>

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

	31.3.21	31.3.20
Directors of PHSC plc and subsidiary companies	7	7
Consultants	19	19
Administrative	18	23
Total	<u>44</u>	<u>49</u>

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:

	31.3.21 £	31.3.20 £
Short-term employee benefits	367,385	371,625
Post-employment benefits	42,524	39,081
Total	<u>409,909</u>	<u>410,706</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.21 £	31.3.20 £
Emoluments	161,846	171,627
Pension contributions to money purchase schemes	23,792	29,915
<b>Total</b>	<b>185,638</b>	<b>201,542</b>

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

	Year ended 31.3.21						Total £	Year ended 31.3.20 Total £
	Salary £	Bonus £	Waiver £	Short-term employee benefits Pension salary sacrifice £	Benefits £	Post employment benefits Pension £		
<b>S A King</b>	93,000	3,065	(19,959)	(11,600)	2,399	15,247	82,152	93,061
<b>N C Coote</b>	75,000	3,065	(6,698)	(5,400)	1,974	8,545	76,486	78,481

The benefits relate to health insurance and both directors opted to take their bonus as a pension contribution. All board members accepted a 20% reduction to their salaries during the height of the pandemic (from May to October 2020).

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

	Year ended 31.3.21 £	Year ended 31.3.20 £
G N Webb	13,500	15,000
L E Young	13,500	15,000
<b>Total</b>	<b>27,000</b>	<b>30,000</b>

### 19. FINANCE INCOME

	31.3.21 £	31.3.20 £
<b>Finance income</b>		
Interest received	999	1,990

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 20. TAXATION

Analysis of tax charge in year

	31.3.21 £	31.3.20 £
<b>Current tax:</b>		
UK corporation tax on profits in the year	88,724	40,250
Adjustments in respect of previous year	–	(22,690)
Total current tax charge	<u>88,724</u>	<u>17,560</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	13,138	572
Adjustment in respect of prior period	(54)	(90)
Effect of tax rate change on opening balance	433	2,506
Total deferred tax charge	<u>13,517</u>	<u>2,988</u>
<b>Tax on profit on ordinary activities</b>	<u>102,241</u>	<u>20,548</u>

#### Reconciliation of tax on ordinary activities

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 19% (2020: 19%) and the tax expense recognised in the income statement can be reconciled as follows:

	31.3.21 £	31.3.20 £
Profit on ordinary activities before tax	<u>189,988</u>	<u>4,999</u>
Tax on profit on ordinary activities at standard rate of corporation tax of 19% (2020: 19%)	36,098	950
Effects of:		
Expenses not deductible for tax purposes	47,506	38,514
Depreciation on ineligible assets	–	1,859
Movement in revalued property deferred tax less capital gain on disposal	(2,096)	–
Effect of tax rate change on opening deferred tax balance	606	2,507
Adjustments in respect of prior periods	–	(22,780)
Movement on unprovided deferred tax asset	499	(502)
Losses carried forward	19,628	–
Total tax charge	<u>102,241</u>	<u>20,548</u>

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

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 21. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	31.3.21	31.3.20
Profit/(loss) attributable to equity holders of the Group (£)	<b>87,747</b>	(15,549)
Weighted average number of ordinary shares in issue	<b>14,677,257</b>	14,677,257
Basic earnings/(loss) per share (pence per share)	<b>0.60p</b>	(0.11)p

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

### 22. DIVIDENDS

A total dividend of 1.0p per ordinary share, (£146,772) was paid in respect of the year ended 31 March 2020; half was paid in February 2020 and the balance in October 2020. An interim dividend of 0.5p in respect of the year ended 31 March 2021 was paid in February 2021 and a final dividend of 0.5p is proposed, subject to shareholder approval, for payment in October 2021, matching the total of 1.0p paid last year.

### 23. RELATED PARTY DISCLOSURES

	31.3.21	31.3.20
	£	£
PHSC plc dividends were paid to directors as follows:		
S A King	<b>31,894</b>	31,894
N C Coote	<b>31,439</b>	31,439
G N Webb MBE	<b>194</b>	194
	<b>63,527</b>	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. The balance outstanding as at 31 March 2021 was £4,599.

The son of a board director provided administrative services to PHSC during the year with an invoice value of £1,166.

### 24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party, but the largest shareholder, Mr S A King, currently holds 21.67% (2020: Mr S A King 21.73%) of the issued share capital of PHSC plc.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 25. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.21 £	31.3.20 £
<b>Financial assets at amortised cost</b>		
Trade and other receivables	590,128	885,947
Cash and cash equivalents	1,237,483	755,919
	<u>1,827,611</u>	<u>1,641,866</u>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	518,245	622,938
	<u>518,245</u>	<u>622,938</u>
Due within 1 year	518,245	622,938
Due in over 1 year	–	–
	<u>518,245</u>	<u>622,938</u>

### 26. REVENUE

Set out below is a breakdown of revenue:

	31.3.21 £	31.3.20 £
Health and safety services	1,652,143	1,766,013
Quality systems services	500,702	756,727
Security related products	1,136,617	1,915,182
	<u>3,289,462</u>	<u>4,437,922</u>

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:

	31.3.21 £	31.3.20 £
Receivables which are included in 'trade and other receivables'	478,816	767,158
Contract assets	4,071	14,269
Contract liabilities	<u>233,632</u>	<u>216,331</u>

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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 26. REVENUE – continued

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

	31.3.21 £	31.3.20 £
Revenue deferred into future periods	<b>(233,632)</b>	(216,331)
Revenue accrued in current period	<b>4,071</b>	14,269
Deferred revenue recognised in the period	<b><u>216,331</u></b>	<b><u>239,405</u></b>

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.

### 27. POST BALANCE SHEET EVENTS

The authority granted by shareholders at last year's AGM was used to implement a share buyback programme which was announced on 13 May 2021 and completed on 16 June 2021. Over that period the Company's broker was able to repurchase a total of 1,602,197 ordinary shares on the Company's behalf for a total consideration of approximately £0.325m. The buyback programme was largely funded from the surplus cash held on account following the sale of freehold premises previously held by a former subsidiary, in late September 2018. Accordingly, the number of ordinary shares not held in treasury now stands at 13,075,060.



**PHSC plc**  
**COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**COMPANY STATEMENT OF FINANCIAL POSITION**

as at 31 March 2021

	Note	31.3.21 £	31.3.20 £
<b>Non-Current Assets</b>			
Property, plant and equipment	9	400,441	413,243
Investments	10	3,113,206	3,368,206
		<u>3,513,647</u>	<u>3,781,449</u>
<b>Current Assets</b>			
Trade and other receivables	11	810,665	835,134
Cash and cash equivalents	12	1,036,118	562,340
		<u>1,846,783</u>	<u>1,397,474</u>
<b>Total Assets</b>		<u>5,360,430</u>	<u>5,178,923</u>
<b>Current Liabilities</b>			
Trade and other payables	13	32,113	46,554
		<u>32,113</u>	<u>46,554</u>
<b>Non-Current Liabilities</b>			
Deferred taxation	14	38,031	38,655
		<u>38,031</u>	<u>38,655</u>
<b>Total Liabilities</b>		<u>70,144</u>	<u>85,209</u>
<b>Net Assets</b>		<u>5,290,286</u>	<u>5,093,714</u>
<b>Capital and reserves attributable to equity holders of the Group</b>			
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		1,629,079	1,432,507
		<u>5,290,286</u>	<u>5,093,714</u>

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 £343,344 (2020: profit £1,219,460).

Approved and authorised for issue by the board on 29 July 2021 and signed on its behalf by;

**S A King**

Director

# PHSC plc

## COMPANY STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 March 2021*

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
<b>Balance at 1 April 2019</b>	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)
<b>Balance at 31 March 2020</b>	<u>1,467,726</u>	<u>1,916,017</u>	<u>133,836</u>	<u>143,628</u>	<u>1,432,507</u>	<u>5,093,714</u>
<b>Balance at 1 April 2020</b>	1,467,726	1,916,017	133,836	143,628	1,432,507	5,093,714
Profit for year attributable to equity holders	-	-	-	-	343,344	343,344
Dividends paid	-	-	-	-	(146,772)	(146,772)
<b>Balance at 31 March 2021</b>	<u>1,467,726</u>	<u>1,916,017</u>	<u>133,836</u>	<u>143,628</u>	<u>1,629,079</u>	<u>5,290,286</u>

# PHSC plc

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	Note	31.3.21 £	31.3.20 £
<b>Cash flows used by operating activities:</b>			
Cash used by operations	I	(172,427)	(311,261)
Group tax relief receipt		39,077	69,027
<b>Net cash used by operating activities</b>		<b>(133,350)</b>	<b>(242,234)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(2,097)	(29,947)
Dividends from subsidiary companies		755,000	1,600,000
Interest received		997	1,924
<b>Net cash from investing activities</b>		<b>753,900</b>	<b>1,571,977</b>
<b>Cash flows used by financing activities</b>			
Dividends paid to Group shareholders		(146,772)	(146,772)
<b>Net cash used by financing activities</b>		<b>(146,772)</b>	<b>(146,772)</b>
<b>Net increase in cash and cash equivalents</b>		<b>473,778</b>	<b>1,182,971</b>
Cash and cash equivalents/(overdraft) at beginning of year		562,340	(620,631)
<b>Cash and cash equivalents at year end</b>		<b>1,036,118</b>	<b>562,340</b>

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

## NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	31.3.21 £	31.3.20 £
<b>I. CASH USED BY OPERATIONS</b>		
Loss before taxation and interest	(452,354)	(446,049)
Depreciation charge	14,899	15,733
Impairment of investment	255,000	200,000
Loss on sale of fixed assets	–	1,281
Decrease/(increase) in trade and other receivables	24,469	(79,734)
Decrease in trade and other payables	(14,441)	(2,492)
<b>Cash used by operations</b>	<b>(172,427)</b>	<b>(311,261)</b>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2021*

### 1. BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, 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 apply 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 (2021 - £755,000; 2020 - £1,600,000) was £411,656 (2020 - loss £380,540). There were no recognised gains and losses for 2021 or 2020 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 13 of the Group accounts.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity 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.

#### 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 2. ACCOUNTING POLICIES – continued

#### 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.

#### 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 transaction 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2020*

### 2. ACCOUNTING POLICIES – continued

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:

	31.3.21	31.3.20
	£	£
Depreciation - owned assets	<u>14,899</u>	<u>15,733</u>

### 5. DIRECTORS' REMUNERATION

Full details are given on page 23 of the Group accounts.

### 6. STAFF COSTS

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

	31.3.21	31.3.20
Directors	4	4
Consultants	1	2
Administration	2	3
	<u>7</u>	<u>9</u>
	£	£

The aggregate payroll costs of these persons were as follows:

Wages and salaries	186,603	193,845
Social security costs	21,616	21,419
Other pension costs	23,054	24,446
	<u>231,273</u>	<u>239,710</u>

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

### 7. AUDITOR'S REMUNERATION

Full details are given on page 43 of the Group accounts.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 8. FINANCE INCOME

	31.3.21	31.3.20
	£	£
<b>Finance income</b>		
Interest received	<u>997</u>	<u>1,924</u>

### 9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1 April 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	<u>441,908</u>	<u>42,814</u>	<u>17,060</u>	<u>501,782</u>
Additions	-	-	2,097	2,097
Disposals	-	-	-	-
<b>At 31 March 2021</b>	<b><u>441,908</u></b>	<b><u>42,814</u></b>	<b><u>19,157</u></b>	<b><u>503,879</u></b>
<b>DEPRECIATION</b>				
At 1 April 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	<u>58,542</u>	<u>24,115</u>	<u>5,882</u>	<u>88,539</u>
Charge for year	8,838	2,742	3,319	14,899
Disposals	-	-	-	-
At 31 March 2021	<u>67,380</u>	<u>26,857</u>	<u>9,201</u>	<u>103,438</u>
<b>NET BOOK VALUE</b>				
<b>At 31 March 2021</b>	<b><u>374,528</u></b>	<b><u>15,957</u></b>	<b><u>9,956</u></b>	<b><u>400,441</u></b>
At 31 March 2020	<u>383,366</u>	<u>18,699</u>	<u>11,178</u>	<u>413,243</u>
At 31 March 2019	<u>392,204</u>	<u>2,605</u>	<u>5,501</u>	<u>400,310</u>



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.21 £	31.3.20 £
At 1 April	3,368,206	3,568,206
Write off investment in Adamson's Laboratory Services Limited	(5,000)	-
Impairment of investment in B2BSG	(200,000)	(200,000)
Impairment of investment in RSA	(50,000)	-
At 31 March	<u>3,113,206</u>	<u>3,368,206</u>

Despite 2020-21 being unrepresentative of any normal trading period, the board acknowledges that the decline in prospects for the security division caused by lower retail activity will continue. Accordingly, an impairment of £200,000 has been made against B2BSG on the basis that the remaining goodwill (£683,688) can be supported by the value-in-use calculation. Following careful review, the carrying value of RSA has been reduced by £50,000 to £382,876. This subsidiary has seen progressive reductions in spending on support services provided to environmental health officers at local authorities.

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 G67 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

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 11. TRADE AND OTHER RECEIVABLES

	31.3.21 £	31.3.20 £
Amount owed by subsidiary undertakings	776,338	803,031
Social security and other taxes	658	-
Other debtors and prepayments	33,669	32,103
	<u>810,665</u>	<u>835,134</u>

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. CASH AND CASH EQUIVALENTS

	31.3.21 £	31.3.20 £
Bank	<u>1,036,118</u>	<u>562,340</u>

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. The Group has an overdraft facility of £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 scheduled for review in October 2021. On 31 March 2021, PHSC plc's Company balance was £1,036,118 in credit (2020: £562,340 in credit) within the Group's cash at bank and in hand figure of £1,237,483 (2020: £755,919).

### 13. TRADE AND OTHER PAYABLES

	31.3.21 £	31.3.20 £
Trade payables	10,805	13,021
Amount owed to subsidiary undertakings	-	5,000
Social security and other taxes	7,734	6,953
Other payables	645	3,605
Accruals	12,929	17,975
	<u>32,113</u>	<u>46,554</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2021

### 14. DEFERRED TAXATION

	31.3.21 £	31.3.20 £
Deferred taxation - accelerated capital allowances	<u>38,031</u>	<u>38,655</u>
	31.3.21 £	31.3.20 £
At 1 April	38,655	32,647
Deferred tax (credit)/charge in year	(624)	6,008
At 31 March	<u>38,031</u>	<u>38,655</u>

### 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 2020 and 2021	<u>14,677,257</u>	<u>1,467,726</u>	<u>1,916,017</u>	<u>3,383,743</u>

### 16. RELATED PARTY DISCLOSURES

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

	31.3.21 £	31.3.20 £
Management charge from PHSC plc to subsidiary companies	<u>180,000</u>	<u>180,000</u>

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

	31.3.21 £	31.3.20 £
<b>Amounts owed by group undertakings</b>		
B2BSG Solutions Limited	20,640	40,219
Camerascan CCTV Limited	229,701	229,701
In House the Hygiene Management Company Limited	469,304	469,304
Inspection Services (UK) Limited	3,110	958
Personnel Health & Safety Consultants Limited	45,526	56,784
QCS International Limited	4,630	4,630
Quality Leisure Management Limited	642	250
RSA Environmental Health Limited	2,785	1,185
	<u>776,338</u>	<u>803,031</u>
<b>Amounts owed to group undertakings</b>		
Adamson's Laboratory Services Limited	-	5,000
	<u>-</u>	<u>5,000</u>

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### 16. RELATED PARTY DISCLOSURES – continued

	31.3.21 £	31.3.20 £
<b>PHSC plc received dividends from subsidiaries as follows:</b>		
Inspection Services (UK) Limited	30,000	50,000
Personnel Health & Safety Consultants Limited	475,000	800,000
QCS International Limited	125,000	500,000
Quality Leisure Management Limited	75,000	175,000
RSA Environmental Health Limited	50,000	75,000
	<u>755,000</u>	<u>1,600,000</u>
<b>PHSC plc dividends were paid to directors as follows:</b>		
S A King	31,894	31,894
N C Coote	31,439	31,439
G N Webb MBE	194	194
	<u>63,527</u>	<u>63,527</u>

### 17. FINANCIAL INSTRUMENTS

Set out below are the Company's financial instruments:

	31.3.21 £	31.3.20 £
<b>Financial assets at amortised cost</b>		
Trade and other receivables	810,665	835,134
	<u>810,665</u>	<u>835,134</u>
<b>Financial liabilities at amortised cost</b>		
Overdraft	–	–
Trade and other payables	32,113	46,554
	<u>32,113</u>	<u>46,554</u>
Due within 1 year	32,113	46,554
Due in over 1 year	–	–
	<u>32,113</u>	<u>46,554</u>

Full details of the overdraft facility can be found in note 12.

The main risk arising from the Company's financial instruments is liquidity risk. The Company seeks to manage this risk by ensuring that 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.

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

*for the year ended 31 March 2021*

### **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. 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. Management have prepared forecasts for 2021-22 bearing in mind the continuing, all be it reduced, impact of COVID-19 and then have assessed whether it is appropriate to assume this level of performance will be maintained or improved over the following two years. Forecast performance in the third year, 2023-24, is then assumed 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% (2020 - 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.

### **19. PARENT UNDERTAKING**

There is no ultimate controlling party but the largest shareholder, Mr S A King currently owns 21.67% (2020 - Mr S A King 21.73%) of the issued share capital (outside treasury) of PHSC plc.

### **20. POST BALANCE SHEET EVENTS**

The authority granted by shareholders at last year's AGM was used to implement a share buyback programme which was announced on 13 May 2021 and completed on 16 June 2021. Over that period the Company's broker was able to repurchase a total of 1,602,197 ordinary shares on the Company's behalf for a total consideration of approximately £0.325m. The buyback programme was largely funded from the surplus cash held on account following the sale of freehold premises previously held by a former subsidiary, in late September 2018. Accordingly, the number of ordinary shares not held in treasury now stands at 13,075,060.

# PHSC plc

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of PHSC plc will be held at 10.00 a.m. on Thursday 30 September 2021 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 2021.
2. To declare a final dividend of 0.5p per ordinary share.
3. To re-elect Stephen King as a director.
4. To reappoint Crowe UK 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 £435,835 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the AGM in 2022 or on 30 September 2022, 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 whatsoever; and
  - (b) the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale and transfer of shares held by the Company in treasury (as the directors shall deem appropriate) to any person or persons up to an aggregate nominal amount of £261,501.

such power to expire at the conclusion of the AGM of the Company in 2022 or, if earlier, on 30 September 2022, 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.

# PHSC plc

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

7. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company (“ordinary shares”) on such terms and in such manner as the directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares authorised to be purchased shall be 1,961,259;
  - (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% 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 AGM of the Company in 2022 or, if earlier, at the close of business on 30 September 2022, 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

3 August 2021

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

# PHSC plc

## NOTICE OF ANNUAL GENERAL MEETING *(continued)*

Notes

### 1. Right to attend, speak and vote

If you wish 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 2021. This will enable 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. PHSC plc is mindful that the UK government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings may be subject to change at short notice. Should physical attendance at the Company's AGM not be permitted, shareholders are encouraged to vote electronically or 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 [thomas.verlander@shma.co.uk](mailto:thomas.verlander@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 [thomas.verlander@shma.co.uk](mailto:thomas.verlander@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 annual 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 13,075,060 ordinary shares of 10p each (excluding treasury shares). Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 13,075,060.



# PHSC plc

## Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Thursday 30 September 2021

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	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final dividend	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Stephen King as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint the auditors and authorise the directors to set their fees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. To disapply pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorise share buybacks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s) ..... (see note 5) Date ..... 2021

### 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. PHSC plc is mindful that the UK government's social distancing guidelines associated with the COVID-19 pandemic restricting public gatherings may be subject to change at short notice. Should physical attendance at the Company's AGM not be permitted, shareholders are encouraged to vote electronically or 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.





