PHSC plc

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

ANNUAL REPORT
2022

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

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for the year ended 31 March 2022

PHSC plc

COMPANY INFORMATION

for the year ended 31 March 2022

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

STRATEGIC REPORT

for the year ended 31 March 2022

FINANCIAL HIGHLIGHTS

- Underlying EBITDA of £0.274m compared to £0.505m in the prior year
- Statutory loss after tax of £0.631m compared to a profit after tax of £0.087m in the prior year, mainly due to writing off goodwill in respect of the Security Division
- Security Division impairment plus other goodwill impairments totalling £0.793m
- Group sales revenue of £3.571m, up from £3.289m in the prior year
- Income augmented by £30k of pandemic-related grant funding, £411k less than the prior year
- Group net assets declined to £3.513m following goodwill impairments
- Statutory loss per share of 4.76p compared to earnings per share of 0.60p in the prior year
- 2,830,238 ordinary shares bought back and subsequently cancelled (post period end), representing 19% of those formerly in issue
- Cash reserves of £0.649m at year end post completion of share buybacks, down from £1.237m for the prior year
- Final dividend of 0.5p proposed, making a total of 1.0p for the year matching the prior year's total

	31.3.22 **£**	31.3.21 £
(Loss)/profit before tax	**(577,798)**	189,988
Less: interest received	**(388)**	(999)
Add: depreciation	**58,812**	65,619
Add: impairment of B2BSG Solutions Limited goodwill	**676,178**	200,000
Add: impairment of Inspection Services (UK) Limited goodwill	**117,240**	–
Add: impairment of RSA Environmental Health Limited goodwill	**–**	50,000
Underlying EBITDA*	**274,044**	504,608

* 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 14 October 2022 to shareholders on the register on 30 September 2022.

CHIEF EXECUTIVE OFFICER'S REPORT

On behalf of the board, I am pleased to present my review of the Group's progress during the financial year 2021-22 as it left the pandemic behind and transitioned towards a more normal trading pattern. During this reporting period we successfully completed our second share buyback programme, the initial programme having been documented in last year's report as a post balance sheet event. Further details are set out later in this report along with specific details on each subsidiary's performance.

GENERAL BUSINESS REVIEW AND OUTLOOK

The overall uplift in sales revenue is welcome, and to a large extent offset the significant reduction in government grants associated with the pandemic. However, the costs associated with delivering our services greatly increased. This was due in part to the resumption of routine expenditure on office materials, travel and the like which had been largely suppressed during lockdown. In addition, the return to 100% of salary for those on the Coronavirus Job Retention Scheme (CJRS) had a sizeable impact. Considering performance in the round, the board is pleased that the Group has returned to a position where trading is profitable and cash generative.

Post-pandemic it became clear to the board that the market for products and services provided by the Security Division had been badly affected by changes in shopping habits and an acceleration of the shift toward on-line purchasing. With its predominantly retail sector client base, this left B2BSG Solutions Limited (B2BSG) exposed to greatly reduced sales from a diminishing number of clients. Accordingly, the board believed it prudent and appropriate to write off the carrying value of this division whilst continuing to assist management in their attempts to turn its fortunes around. Similarly, a view was taken that stock values should be impaired in recognition of the lower demand for electronic article surveillance (EAS) equipment. The majority of this product, nevertheless, remains current and serviceable. It is worth noting that B2BSG has reported a pre-management charges profit of approximately £10k for Q1 of the current financial year which is an improvement on the loss-making situation at the same stage in 2021-22.

As has been explained previously, the Security Division is affected by exchange rate fluctuations, with all EAS equipment being sourced from abroad and paid for in Euros or US dollars. Exchange rate movements have seen a general weakening of Sterling versus the USD with rates recently touching a two-year low.

Our Systems Division saw both revenue and profits rise by around 50% in response to the lifting of restrictions in Scotland where it is based, and the ability to return to face-to-face training delivery for those clients that preferred this.

The Safety Division performed very well and benefited from a large contract for COVID-19 testing which was on a commission basis. This is explained further below with respect to the results for Personnel Health and Safety Consultants Limited (PHSCL).

It is noted that the Group's cash reserves at year end (£0.649m) were around half that of 2020-21 (£1.237m) despite the Group being cash-generative in terms of normal trading. Such reduction is due to the successful implementation of our share buyback programmes resulting in over 2.8m ordinary shares being acquired into treasury and subsequently cancelled post period end. The total spent on buybacks during the year was circa £0.65m inclusive of legal fees and brokerage.

Now that we have a well-established and proven mechanism, the board is again seeking shareholder approval for a replenished share buyback authority at the Company's forthcoming AGM. No decision has been made as to whether or when, if duly approved at the AGM, any further buyback programme will take place. This will be determined by periodically assessing the Group's cash position and any anticipated call on resources for other purposes. Accordingly, the proposed renewed authority simply provides the board with maximum flexibility that it may or may not choose to exercise.

The Group's current cash position is approximately £0.718m which is more than sufficient to meet its needs for the foreseeable future and to cover the proposed dividend. An advantage of having fewer shares in issue is that the cash required to maintain the dividend at its current level per share is around 20% lower than it would otherwise have been. In addition to maintaining a strong bank balance, HSBC Bank plc provides us with a facility of £50,000 to draw upon should the need arise which is due for renewal in October 2022. The board expects to renew the facility at its present level but does not currently anticipate having to draw upon it.

The Group confirms that it did not apply for any Government loan monies available to support UK businesses through the pandemic.

Net asset value

As stated in the general business review section above, the board has written off the entire carrying value of the Security Division (B2BSG) as a consequence of the decline in demand for the goods and services that it provides and a highly competitive marketplace. This impairment has resulted in a reduction in assets of £0.676m. From a routine review of the carrying value of the other subsidiaries, the board has determined that Inspection Services (UK) Ltd is overvalued and should also be written down by approximately £0.117m. No other subsidiaries are believed to be held at inflated values based on their prospects for the current year and the foreseeable future.

The year-end consolidated net assets, further to the goodwill impairments and expenditure on share buybacks, total approximately £3.513m. Based on the number of shares currently in issue this equates to approximately 30p per ordinary share versus a prevailing mid-market price of approximately 26.5p. The board welcomes the narrowing of the gap between the Company's asset value and market share price.

Outlook

The Group is not immune from the uncertainty in both the domestic and macroeconomic environments. Costs have been increasing across all areas, with notable uplifts to the cost of accommodation, energy supply, and travel including fuel. Management have sought to help defray some of the impact on employees by awarding generous pay rises albeit below the headline figure for inflation. We have generally found that the market for both administrative staff and fee-earning professionals has become far more competitive, which has raised the expectations of current and prospective new employees. There is limited scope to pass on the effects of these additional costs to our clients, resulting in margins being squeezed.

Despite the difficult trading environment, we are confident that the Group can remain profitable and cash-generative throughout the year. The management team are always seeking ways to work more productively and to reduce costs to the lowest level reasonably practicable.

Trading update

According to the most recent set of management accounts (unaudited), in Q1 the Group generated revenue of approximately £0.862m and EBITDA of approximately £100k. This compares well with the Q1 position last year which showed income of approximately £0.926m and EBITDA of approximately £72k.

Dividends

A total dividend of 1.0p per ordinary share (£146,772) was paid in respect of the financial year ended 31 March 2021. An interim dividend of 0.5p in respect of the financial year ended 31 March 2022 was paid in February 2022 and, subject to shareholder approval, a final dividend of 0.5p to be paid from earnings from the financial year ended 31 March 2022 is proposed for payment in October 2022, thereby matching last year's total. Following the share buyback programmes completed in 2021-22, the cost of the final dividend will fall approximately 19% from £73,386 to £59,235.

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 (excluding government grant funding) for the year increased by 8.5%.

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

The Group's underlying EBITDA decreased from £504,608 in 2020-21 to £274,044 in 2021-22 with the improvement in business activity failing to outweigh the reduction in COVID-19 support funding which dropped from £441,125 to £29,527.

Staff turnover

Staff turnover is monitored as the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. During the year, five people left the employment of the group and five people joined, resulting in the total number of employees at the year-end remaining unchanged at 44.

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 dividends from its subsidiaries.

B2BSG Solutions Limited (B2BSG)

- 2022: revenues of £749,200 yielding a loss of £79,200 after a slow-moving stock write down of £55,000
- 2021: revenues of £1,136,600 yielding a profit of £13,800

The COVID-19 pandemic that drastically affected the previous year continued to have an adverse impact, with many of B2BSG's clients having downsized their operations or ceased trading entirely.

High street shops were able to reopen in mid-April 2021 in England, with some variation elsewhere in the UK. This enabled the Company to bring staff back to work and to cease reliance on the CJRS. Only £3k of CJRS funding was received in 2021-22 representing a significant reduction from around £133k in the prior year.

Sales revenues came in at £749k compared with £1.137m in the previous year. There was an EBITDA loss of £65k for the year, after discounting exceptional items (£7.6k of redundancy pay and £3.4k of bad debts) and before management charges. The £3.4k of bad debts compares favourably with debts of £22k written off in the previous year.

Employment costs were lower, as staff numbers were reduced. Some office space was returned to the relevant landlord and a lower rental charge was incurred. One notable area where costs rose was in carriage, where shipping fees went up in some cases by a factor of ten, due to a worldwide shortage of capacity. All of the Company's products are imported.

Management expectations are for B2BSG to hold its own in 2022-23 and to see an improvement in the following year. As stated earlier, Q1 performance has seen a profit of around £10k per the unaudited management accounts. Ultimately, the performance of the business will be largely dependent on the fortunes of the retail sector and management's ability to negotiate shocks to the global economy. Any further deterioration in foreign exchange rates will harm the Company's prospects.

Inspection Services (UK) Limited (ISL)

- 2022: revenues of £186,600 yielding a profit of £8,700
- 2021: revenues of £213,900 yielding a profit of £31,500

ISL achieved revenues of £186,600 which is a reduction of £27,300 versus the prior year figure of £213,900. This led to a reduced EBITDA before management charges of £18,600 compared to £41,300 in 2020-21. Despite the lower sales, costs remained at the same level as the previous year with notable rises in vehicle and travel expenses. Hotel accommodation in particular was more expensive than expected. This was caused by higher prices following the lifting of COVID-19 lockdown restrictions along with the failure of providers to pass on the effects of a reduction in VAT to clients.

Approximately two-thirds of the Company's business is placed by insurance brokers on behalf of their clients, with the remaining third being sales made directly to clients. When work is introduced through an insurance broker, a commission becomes payable.

There have been a small number of former clients who ceased trading during the pandemic or disposed of some work equipment which led to a reduction in the requirement to conduct examinations. It has not been possible to make up the shortfall with new clients at this stage.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2022: revenues of £1,283,100 yielding a profit of £351,000
- 2021: revenues of £968,900 yielding a profit of £498,000

Turnover exceeded £1m for the first time in several years. This was as a result of a one-off contract with an invoice value of over £400k for supporting clients in the provision of COVID-19 testing services. The work was carried out by external medical specialists and generated a 5% premium for PHSCL. The profit of £351,000 was lower than the previous year and reflected an increased use of subcontractors. The team worked incredibly hard for the first three quarters of the year, but staff utilisation was lower in Q4 for a number of reasons that have subsequently been addressed and rectified by management. The Safety Division is focussing on acquiring an online management system to support its clients in monitoring their compliance status, particularly those with multiple sites. This should support the sales and marketing functions who will be able to pitch for larger contracts where an online offering is increasingly becoming a prerequisite of the tender process.

QCS International Limited (QCS)

- 2022: revenues of £724,100 yielding a profit of £189,600
- 2021: revenues of £500,700 yielding a profit of £121,100

Despite the pandemic placing varied and changing constraints on the business, the year saw sales and profits approaching levels last achieved prior to the health emergency. Whilst training was impacted considerably, consultancy work has been buoyant and has made a significant contribution towards compensating for lost training revenue. By the end of the financial year, training was beginning to approach previous levels, suggesting that the trend is towards more normal operating conditions.

Consultancy activity for the year was above normal (pre-pandemic) levels. This was due to a combination of new client activity, continued interest in the UK Responsible Person services for medical devices, and excellent levels of repeat business. Sales for consultancy approached £400,000 for the year ended 31 March 2022, which is a record performance for QCS.

The pandemic caused revenue from public (face-to-face) training to drop to £112,000 from the previous year as there were times during 2021-22 when training was constrained. Nevertheless, income generated from those periods when training was possible resulted in income more than doubling year on year to £237,000. By Q4 it was pleasing to note that training income had fully recovered.

In January 2022, the Company lost the services of one of its key consultants who specialised in medical device work and recruitment of a possible replacement remains ongoing in what is a difficult and competitive market. A new consultant was engaged at the very end of the financial year to support broader quality/environmental and health and safety services.

Quality Leisure Management Limited (QLM)

- 2022: revenues of £323,600 yielding a profit of £100,900
- 2021: revenues of £234,300 yielding a profit of £99,700

QLM started the financial year with most, if not all, support service and retained clients either closed or heavily restricted under COVID-19 legislation. This severely restricted the generation of additional income from activities such as auditing. These restrictions continued throughout the period and, whilst easing gradually, restrictions of some kind remained in place for most of the year.

The health and safety support service was the least affected income stream. Guidance in respect of changes in COVID-19 legislation and best practice were topical questions together with the recommissioning of equipment and facilities.

Profitability improved at the start of Q3 as facilities progressively reopened and restrictions were relaxed to varying degrees. Auditing and training became the priority as previously closed or restricted facilities began to focus on ensuring normal health and safety standards were in place and that staff were competent to achieve or maintain them. Audits were and continue to be, a strong part of the business.

Following the development of videoconferencing courses last year, this delivery method remains popular. In addition to reducing staff travel time and costs recharged to clients, it enables greater accessibility to those companies only requiring a small number of participants.

QLM has been involved as an expert witness in several legal cases in recent years. With the legal system returning to relative normality post-pandemic, this aspect of the business remains active.

RSA Environmental Health Limited (RSA)

- 2022: revenues of £304,000 yielding a profit of £53,600
- 2021: revenues of £235,100 yielding a profit of £57,400

Revenue was up by 29% to £304,000 despite the first half of the financial year continuing to be affected by the COVID-19 pandemic and associated lockdowns. The pandemic severely affected revenue in Q1 and Q2 because RSA's largest marketplace is the education sector. Most of the school-based income reflects a two-year audit and consultancy cycle. With lockdowns and effective school closures in the corresponding period in 2020-21, no new contracts were set up at that time, so no second-year payments fell due. It was not until Q3 that the cycle of second payments started to come through. In other areas there has been a slow return to normal operations. As restrictions eased, audits were booked for our NHS and hospitality clients and in the latter part of the year revenue from these sectors has returned to pre-pandemic levels with the employed staff working at full capacity.

In previous years, the focus of the Company had been on the SafetyMARK brand, providing safety services to the school sector. Efforts have been made to diversify revenue streams and this is resulting in a more even spread of income across the five main services namely, training, SafetyMARK, health and safety consultancy, health and safety advisory services and food safety consultancy. Almost £100,000 of the total revenues was generated by the combined health and safety streams, showing the success of the diversification strategy.

SafetyMARK services saw revenues recover to finish above expectations at £82,000. For the latter part of the year, revenues were above previous years, and this strong demand continues.

Food safety consultancy has seen a return to pre-pandemic levels of demand. Recently, some clients have increased the level of service required because of the upturn in fortunes for the wider hospitality sector.

PHSC plc

- 2022: net loss of £409,200 before management charges, exceptional costs, interest and dividends received
- 2021: net loss of £382,400 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 relate to running an AIM quoted Group. The 7% increase in the net loss is due to the reduction in CJRS funding from £45,300 in 2020-21 to £3,700 in 2021-22.

PRINCIPAL RISKS AND UNCERTAINTIES

Pandemic

The financial impact of the coronavirus pandemic eased in the second half of the financial year with business activity starting to return to pre-pandemic levels. Inevitably, there are legacy impacts in particular on the high street where consumers' shopping habits have shifted towards on-line ordering, and this is a concern to the security division where retail outlets form a significant part of its customer base. Conversely, the systems and safety divisions are experiencing a rebound in activity as clients 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 is more appealing to some customers and this alternative continues 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 Systems Division and is exploring non-regulatory areas of environmental work to add to the current portfolio of services.

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 accelerated during the COVID-19 pandemic. Any further material deterioration in the retail sector and specifically in B2BSG's client base would have a significant negative effect on the Company's and hence the Group's prospects. To mitigate any future negative effects, the Group has written off the investment value of its Security Division and has made a significant financial provision against the value of stock held in its warehouse.

Technological

The Group's website is a primary source of new business. If the website became inaccessible for protracted periods, or was subject to "hacking", this may prejudice the opportunity to obtain new business. Additionally, the increase in the use of the internet for satisfying business requirements may lead to a reduction in demand for face-to-face consultancy services and the number of training courses commissioned may be affected by moves towards screen-based interactive learning.

The subject of IT security is regularly reviewed by the board to ensure that appropriate strategies are in place. The Aylesford based businesses (PHSC plc, PHSCL, ISL) have obtained certification to Cyber Essentials standard and all staff across the Group have participated in on-line training to reduce the risk of falling victim to phishing and other such scams. All head office data is backed up to the Cloud and removeable hard drives attached to the physical server are rotated on a daily basis.

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.

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).

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 (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. Cash reserves ended the year at a high level despite the completion of two successful share buybacks requiring total funding (including costs) of £644,700 in the year ended March 2022. The board is satisfied that such reserves, along with the Group's cash-generative trading position and (unused) credit 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.

On behalf of the board, I must once again thank all our shareholders and employees for their ongoing loyalty and support. The board is grateful for the continuing spirit of teamwork and mutual support that is enabling the Group to move forward positively in the aftermath of the COVID-19 pandemic.

On behalf of the board

Stephen King
Group Chief Executive

2 August 2022

REPORT OF THE DIRECTORS

for the year ended 31 March 2022

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2022.

DIRECTORS

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

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

DIVIDENDS

A total dividend of 1.0p per ordinary share (£146,772) was paid in respect of the year ended 31 March 2021; half was paid in February 2021 and the balance in October 2021. An interim dividend of 0.5p in respect of the financial year ended 31 March 2022 was paid in February 2022 and, subject to shareholder approval at the AGM, a final dividend of 0.5p will be payable on 14 October 2022 to shareholders on the register on 30 September 2022, thereby matching the total of 1.0p paid last year.

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 37.

SHARE CAPITAL

The issued share capital of the Company as at the date of this report is 11,847,019 ordinary shares of 10p each. The Company holds no ordinary shares in treasury.

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 2 August 2022, the following persons had notified the Company of an interest of 3% or more of its issued share capital.

Name	No. of ordinary shares	% of issued share capital
S A King	2,561,848	21.62
N C Coote	2,530,256	21.36
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	1,249,057	10.54
James Faulkner	455,000	3.84

PROVISION OF INFORMATION TO AUDITOR

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

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

ANNUAL GENERAL MEETING ("AGM")

This year's AGM will be held at 10.00 a.m. on Thursday 29 September 2022 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 66 to 68 of this document and a form of proxy is included on page 69.

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 14 October 2022 to shareholders on the register of members at the close of business on 30 September 2022.

Re-election of directors (Resolutions 3 and 4)

Under the Company's articles of association, both Nicola Coote and Lorraine Young will retire by rotation and offer themselves for re-election.

Re-appointment of auditor (Resolution 5)

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 6 and 7)

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

Resolution 6 gives the directors the necessary authority until the earlier of next year's AGM or 29 September 2023, to allot securities up to an aggregate nominal amount of £394,900 being equivalent to approximately one third of the Company's issued share capital as at 2 August 2022.

Resolution 7 empowers the directors, until the earlier of next year's AGM or 29 September 2023, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to an aggregate nominal amount of £236,940 being equivalent to approximately 20% of the Company's issued share capital as at 2 August 2022. It is intended to renew this authority and power at each AGM.

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

Resolution 8 authorises the Company, until the earlier of next year's AGM or 29 September 2023 to purchase in the market up to a maximum of 1,777,052 ordinary shares (equivalent to approximately 15% of the issued share capital of the Company as at 2 August 2022) 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 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 no 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 so wish. A form of proxy should be returned so that it is received not less than 48 hours (excluding non-working days) before the time of the AGM.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole. The directors will be voting in favour of them and unanimously recommend that you do so as well.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

Despite the difficult trading environment, there is confidence that the Group can remain profitable and cash-generative throughout the year.

On behalf of the board

SGH Company Secretaries Limited
Secretary

2 August 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2022

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 UK adopted international accounting standards.

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 auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

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

On behalf of the board

Stephen King
Group Chief Executive

2 August 2022

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2022

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 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.

The below statement sets out how the Group complies with the 10 principles of the 2018 Quoted Companies Alliance Corporate Governance Code (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 Group'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 Group's strategy in a timely manner. The Group has set out a strategic plan to promote long-term value creation for shareholders and will update all shareholders on this in the annual report each year.

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

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

UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS

The Group 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 Group'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 Group's progress on achieving its key targets is regularly communicated to investors through its announcements to the market.

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

CORPORATE GOVERNANCE STATEMENT *(continued)*

for the year ended 31 March 2022

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 11.

EMBEDDING EFFECTIVE RISK MANAGEMENT

The board regularly reviews the risks facing the business as outlined on pages 9 to 10 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 38.

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

It is the role of the board to ensure that the Group 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 Group.

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

The board sets direction for the Group 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 Group'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 17 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 are set out below.

Stephen King

Group Chief Executive and Chair

Stephen King co-founded PHSCL in 1990 with Nicola Coote. He has over 35 years' experience in health and safety management, having qualified in 1985. He left a role as personnel manager at Delta Enfield Cables Ltd in 1986, moving to the News International printing facility at Wapping, London. At News International, he was occupational health and safety manager, in charge of a team of practitioners responsible for the well-being of over 4,000 staff. In 1990, he joined Reuters plc as UK health and safety manager. He left employment with Reuters plc in 1992 and continued to service their health and safety requirements through PHSCL. He has acted as secretary of the southeast 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. He is immediate past 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 PHSCL 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 Croner. 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 included 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. She runs a board advisory and consultancy practice and is also on the advisory board of Indigo Independent Governance. She 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 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. Lorraine is an accredited mediator and honorary treasurer of the Worshipful Company of Chartered Secretaries and Administrators, one of the modern livery companies. She is also a past president and fellow of the Chartered Governance Institute. Lorraine is chair of the audit committee and is a member of the remuneration committee.

She left the firm in February 2019 to pursue her own consultancy interests once 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 Group through a formal schedule of matters reserved for its decision as set out on page 18.

Independence of directors

At present, the Group 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	0/1
Nicola Coote*	5/5	2/2	0/1
Graham Webb	4/5	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 matters which are relevant to the Group and recommended additional staff training on cyber security issues. 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, ISL 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*

for the year ended 31 March 2022

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 31.3.22							
	Short term employee benefits					Post employment benefits		Year ended 31.3.21
	Salary	Bonus	Waiver/ voluntary reduction	Pension salary sacrifice	Benefits	Pension	Total	Total*
	£	£	£	£	£	£	£	£
S A King	**93,782**	**5,265**	**(35,000)**	**(3,600)**	**2,844**	**6,359**	**69,650**	82,152
N C Coote	**75,583**	**5,265**	**–**	**(13,067)**	**2,483**	**16,189**	**86,453**	76,486

The benefits relate to health insurance. Stephen King's bonus was added to salary whereas Nicola Coote opted to take hers as a pension contribution.

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

	Year ended 31.3.22	Year ended 31.3.21*
	£	£
G N Webb	**15,131**	13,500
L E Young	**15,131**	13,500

* All board members accepted a 20% reduction to their salaries during the height of the pandemic (from May to October 2020).

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 Group. The board will ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities to deliver the Group's strategy.

PROMOTING ETHICAL VALUES AND BEHAVIOURS

The Group 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.

CORPORATE GOVERNANCE STATEMENT *(continued)*

for the year ended 31 March 2022

COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

The Group makes available on its website historical annual reports, notices of meetings and other publications over the last five years.

On behalf of the board

SGH Company Secretaries Limited
Secretary
2 August 2022

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2022

OPINION

We have audited the financial statements of PHSC plc (parent Company) and its subsidiaries (Group) for the year ended 31 March 2022, which comprise:

- the Group and parent Company statements of financial position as at 31 March 2022;
- the Group statement of comprehensive income for the year ended 31 March 2022;
- the Group and parent Company statements of changes in equity for the year ended 31 March 2022;
- the Group and parent Company statements of cash flows for the year ended 31 March 2022; 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 UK adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed companies, 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 directors' 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 Group and parent Company'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 in accordance 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 to the end of July 2023. 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 to identify any matters which might impact on going concern.
- We enquired with management whether there are any significant subsequent events that may impact on our going concern assessment. We noted that the Group has significant cash reserves at 31 March 2022.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC *(continued)*

for the year ended 31 March 2022

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 or parent Company'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 £16,000 (2021: £21,000), based on a combination of 0.75% of turnover and 7% of Group loss being mid-range benchmarks of the key business drivers. Company materiality was calculated as £10,000 (2021: £7,000) using the same basis as for the Group.

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% (2021: 56%) of overall materiality, which equates to £8,960 (2021: £11,760). Company performance materiality in the current year was set on the same basis as £5,600 (2021: £3,920). 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% (2021: 48%) of overall materiality for both Group and the Company.

We agreed with the audit committee to report all identified errors in excess of £2,500 (2021: £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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC *(continued)*

for the year ended 31 March 2022

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

Key audit matter	How the scope of our audit addressed the key audit matter
The carrying value of goodwill and investments in the group and entity financial statements respectively 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. (Refer to Note 6 to the financial statements).
Stock is considered a key matter due to the 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. (Refer to Note 8 to the financial statements).

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC *(continued)*

for the year ended 31 March 2022

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. 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

2 August 2022

PHSC plc

Registered number: 4121793

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31.3.22 £	31.3.21 £
Non-Current Assets			
Property, plant and equipment	5	**490,138**	529,413
Goodwill	6	**2,235,045**	3,028,463
Deferred tax asset	14	**15,591**	2,017
		2,740,774	3,559,893
Current Assets			
Stock	8	**185,685**	259,760
Trade and other receivables	7	**726,378**	590,128
Cash and cash equivalents	9	**649,363**	1,237,483
		1,561,426	2,087,371
Total Assets		**4,302,200**	5,647,264
Current Liabilities			
Trade and other payables	11	**617,077**	518,245
Right of use lease liabilities	13	**30,632**	31,856
Current corporation tax payable		**55,112**	88,011
		702,821	638,112
Non-Current Liabilities			
Right of use lease liabilities	13	**24,184**	38,865
Deferred tax liabilities	14	**61,842**	50,988
		86,026	89,853
Total Liabilities		**788,847**	727,965
Net Assets		**3,513,353**	4,919,299
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,467,726**	1,467,726
Share premium account	10	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Treasury shares		**(644,738)**	–
Retained earnings		**496,884**	1,258,092
		3,513,353	4,919,299

The financial statements were approved and authorised for issue by the board of directors on 2 August 2022, and were signed on its behalf by:

S A King *Director*

The accounting policies and notes on pages 32 to 52 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Note	**31.3.22** **£**	31.3.21 £
Continuing operations:			
Revenue		**3,570,626**	3,289,462
Cost of sales	15	**(1,938,870)**	(1,764,915)
Gross profit		**1,631,756**	1,524,547
Administrative expenses	15	**(1,446,051)**	(1,528,160)
Goodwill impairment	6	**(793,418)**	(250,000)
Government grants	16	**29,527**	441,125
Other income		**–**	1,477
(Loss)/profit from operations		**(578,186)**	188,989
Finance income	19	**388**	999
(Loss)/profit before taxation		**(577,798)**	189,988
Corporation tax expense	20	**(53,205)**	(102,241)
(Loss)/profit for the year after tax attributable to owners of the parent		**(631,003)**	87,747
Other comprehensive income		**–**	–
Total comprehensive (loss)/income attributable to owners of the parent		**(631,003)**	87,747
Basic and diluted (loss)/earnings per share from continuing operations	21	**(4.76)p**	0.60p

The accounting policies and notes on pages 32 to 52 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Treasury Shares £	Retained Earnings £	Total £
Balance at 1 April 2020	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)
Balance at 31 March 2021	1,467,726	1,916,017	133,836	143,628	–	1,258,092	4,919,299
Balance at 1 April 2021	1,467,726	1,916,017	133,836	143,628	–	1,258,092	4,919,299
Loss for year attributable to equity holders	–	–	–	–	–	(631,003)	(631,003)
Dividends	–	–	–	–	–	(130,205)	(130,205)
Purchase of own shares	–	–	–	–	(644,738)	–	(644,738)
Balance at 31 March 2022	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**(644,738)**	**496,884**	**3,513,353**

The accounting policies and notes on pages 32 to 52 form part of these financial statements.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	**31.3.22** £	31.3.21 £
Cash flows from operating activities:			
Cash generated from operations	I	**313,530**	702,188
Tax paid		**(89,213)**	(37,183)
Net cash generated from operating activities		**224,317**	665,005
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(22,117)**	(8,739)
Proceeds from disposal of fixed assets		**140**	4,333
Interest received		**388**	999
Net cash used in investing activities		**(21,589)**	(3,407)
Cash flows used in financing activities			
Payment of lease liabilities		**(15,905)**	(33,262)
Purchase of own shares		**(644,738)**	–
Dividends paid to shareholders		**(130,205)**	(146,772)
Net cash used in financing activities		**(790,848)**	(180,034)
Net (decrease)/increase in cash and cash equivalents		**(588,120)**	481,564
Cash and cash equivalents at beginning of year		**1,237,483**	755,919
Cash and cash equivalents at end of year		**649,363**	1,237,483

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 2022

	31.3.22 £	31.3.21 £
I. CASH GENERATED FROM OPERATIONS		
(Loss)/profit from operations	**(577,798)**	188,989
Depreciation charge	**58,812**	65,619
Goodwill impairment	**793,418**	250,000
Loss on sale of fixed assets	**2,441**	1,913
Decrease in stock	**74,075**	4,541
(Increase)/decrease in trade and other receivables	**(136,250)**	295,819
Increase/(decrease) in trade and other payables	**98,832**	(104,693)
Cash generated from operations	**313,530**	702,188

ACCOUNTING POLICIES

for the year ended 31 March 2022

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 3 to 12. The financial statements are presented in pounds sterling which is the Group's functional and presentation currency. The figures shown in the financial statements are rounded to the nearest pound.

Basis of preparation of financial statements

The Group's financial statements have been prepared in accordance with UK adopted international accounting standards 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 12.

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 2022.

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.

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.

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.

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.

Revenue stream	**Nature, timing of satisfaction of performance obligations and significant payment terms**
Services: one-off consultancy, training, health & safety audits, editorials and safety inspections	Revenue from services is recognised as the services are provided as this is the point at which the performance obligations are fulfilled. In respect of services invoiced in advance, amounts are deferred until provision of the service. Customer payment terms are generally 30 days from the date of invoice.
Services: health and safety support, annual consultancy services, appointed safety 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.

ACCOUNTING POLICIES *(continued)*

for the year ended 31 March 2022

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of the Group statement of financial position are reported at the rates of exchange prevailing at that date. All foreign exchange gains and losses are presented in the statement of comprehensive income within the administrative expense heading.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

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 such 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 £
At 31 March 2022				
Trade and other payables	**617,077**	–	–	–
Lease liabilities	**30,632**	**24,184**	–	–
At 31 March 2021				
Trade and other payables	518,245	–	–	–
Lease liabilities	31,856	38,865	–	–

Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders. The Group defines capital as share capital plus reserves. The Group is not subject to any externally imposed capital requirements. The board monitors levels of cash and any excess levels have historically been used for acquisitions.

1. FINANCIAL RISK MANAGEMENT – continued

Foreign exchange risk

The Group purchases security-related products in foreign currencies. The Group uses a number of methods to protect against foreign 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 2025. Full details are disclosed in note 6.

Provision for obsolete and slow-moving stock

Stock of £57,564 (2021: £17,243) 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.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2022

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 9.

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	Loss after tax £'000
Year ended 31 March 2022										
Security division – B2BSG	749	3	3	(79)	–	(79)	10	14	–	
Health and safety division										
ISL	187	–	10	9	–	9	1	–	–	
PHSCL	1,283	10	1	351	–	351	(56)	(1)	–	
QLM	324	4	7	101	–	101	(14)	–	–	
RSA	304	4	6	53	–	53	(6)	–	–	
	2,098	18	24	514	–	514	(75)	(1)	–	
Quality systems division – QCS	724	5	18	189	–	189	(30)	(1)	–	
Holding company – PHSC plc	–	4	14	(409)	–	(409)	41	(11)	–	
Total	**3,571**	**30**	**59**	**215**	**–**	**215**	**(54)**	**1**	**(793)**	**(631)**

	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
Year ended 31 March 2021										
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)	–	–	
	1,652	182	23	686	–	686	(114)	–	–	
Quality systems division – QCS	501	83	18	121	–	121	(18)	1	–	
Holding company – PHSC plc	–	45	15	(382)	1	(381)	39	1	–	
Total	**3,289**	**443**	**66**	**439**	**1**	**440**	**(85)**	**(17)**	**(250)**	**88**

* Operating profit/(loss) pre impairment.

3. SEGMENTAL REPORTING – continued

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

	Non-current asset additions £'000	Non current assets £'000	Current assets £'000	Total assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total liabilities £'000	Net operating assets £'000
As at 31 March 2022								
Security division – B2BSG	1	248	(51)	197	(44)	–	(44)	153
Health and safety division								
ISL	4	9	101	110	(71)	–	(71)	39
PHSCL	–	4	626	630	(167)	(1)	(168)	462
QLM	1	8	218	226	(116)	(1)	(117)	109
RSA	13	475	147	622	(61)	(9)	(70)	552
	18	496	1,092	1,588	(415)	(11)	(426)	1,162
Quality systems division – QCS	3	61	393	454	(215)	(20)	(235)	219
Holding company – PHSC plc	–	2,699	127	2,826	(29)	(48)	(77)	2,749
Sub–total	**22**	**3,504**	**1,561**	**5,065**	**(703)**	**(79)**	**(782)**	**4,283**
Consolidation adjustments								
To goodwill	–	(765)	–	(765)	–	–	–	(765)
To deferred tax	–	2	–	2	–	(7)	(7)	(5)
Total	**22**	**2,741**	**1,561**	**4,302**	**(703)**	**(86)**	**(789)**	**3,513**

	Non-current asset additions £'000	Non current assets £'000	Current assets £'000	Total assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total liabilities £'000	Net operating assets £'000
As at 31 March 2021								
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)
Total	**9**	**3,560**	**2,087**	**5,647**	**(638)**	**(90)**	**(728)**	**4,919**

Revenues from one customer within PHSCL totalled £543,872 (2021: £92,228), representing more than 10% of its total revenue. The increase was due to the significant expansion in supply of COVID-19 testing services to this customer during the year ended 31 March 2022.

4. AUDITOR'S REMUNERATION

	31.3.22 £	31.3.21 £
Audit		
Fees payable to the Company's auditor for the audit of the annual parent Company and consolidated accounts	**3,250**	2,530
Fees payable to the Company's auditor for other services provided to the Company and its subsidiaries:		
The audit of the Company's subsidiaries under legislative requirements	**25,350**	20,460
Total audit	**28,600**	22,990
Tax		
Tax compliance services	**7,500**	7,200
Tax advisory services	**2,000**	2,000
Total tax	**9,500**	9,200
Total	**38,100**	32,190

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Right of use assets £	Totals £
COST						
At 1 April 2020	571,270	100,132	144,706	9,060	123,299	948,467
Additions	–	–	8,739	–	–	8,739
Disposals	–	–	(20,012)	(9,060)	–	(29,072)
At 31 March 2021	571,270	100,132	133,433	–	123,299	928,134
Additions	–	–	4,776	–	17,341	22,117
Disposals	–	–	(14,764)	–	(6,890)	(21,654)
At 31 March 2022	**571,270**	**100,132**	**123,445**	**–**	**133,750**	**928,597**
DEPRECIATION						
At 1 April 2020	187,904	42,412	100,825	5,471	19,316	355,928
Charge for year	8,838	7,642	15,877	–	33,262	65,619
Disposals	–	–	(17,355)	(5,471)	–	(22,826)
At 31 March 2021	196,742	50,054	99,347	–	52,578	398,721
Charge for year	8,838	7,642	9,086	–	33,246	58,812
Disposals	–	–	(12,184)	–	(6,890)	(19,074)
At 31 March 2022	**205,580**	**57,696**	**96,249**	**–**	**78,934**	**438,459**
NET BOOK VALUE						
At 31 March 2022	**365,690**	**42,436**	**27,196**	**–**	**54,816**	**490,138**
At 31 March 2021	374,528	50,078	34,086	–	70,721	529,413
At 31 March 2020	383,366	57,720	43,881	3,589	103,983	592,539

Depreciation expenses of £58,812 (2021: £65,619) are included in administrative expenses in the statement of comprehensive income.

The net book value of right of use assets includes £27,248 (2021: £38,523) in relation to short term lease hold property and £27,568 (2021: £32,198) in relation to motor vehicles.

6. GOODWILL

	Goodwill £
COST	
At 1 April 2020 and 2021	5,514,547
Additions	–
At 31 March 2022	**5,514,547**
IMPAIRMENT	
At 1 April 2020	2,236,084
Impairment	250,000
At 31 March 2021	2,486,084
Impairment	793,418
At 31 March 2022	**3,279,502**
NET BOOK VALUE	
At 31 March 2022	**2,235,045**
At 31 March 2021	3,028,463
At 31 March 2020	3,278,463

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:

	31.3.22 £	31.3.21 £
B2BSG Solutions Limited	**–**	676,178
Inspection Services (UK) Limited	**87,967**	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**	551,644
Total goodwill for Group	**2,235,045**	3,028,463

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 2022-23 based on the impact of COVID-19 continuing to lessen and have then 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, 2024-25, 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% (2021: 11%). This takes into consideration the weighted average cost of capital (WACC).

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	2,367,503	64,245	62
RSA Environmental Health Limited	5,018	59,855	12
Inspection Services (UK) Limited*	(117,240)	22,050	11
Quality Leisure Management Limited	216,247	63,400	24
QCS International Limited	1,864,335	39,940	18
B2BSG Solutions Limited**	(676,178)	72,890	11

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 and 2021-22 being unrepresentative of any normal trading period, the board has difficulty in predicting that the Security Division will return to the level of profit required to support the goodwill pertaining to B2BSG in the balance sheet. Accordingly, the full value of B2BSG's goodwill of £676,178 has been written off. Following careful review, the carrying value of ISL has also been reduced by £117,240. This subsidiary has seen a plateau in spending on its services and costs are rising in an inflationary environment.

* Figures stated prior to the impairment charge of £117,240.
** Figures stated prior to the impairment charge of £676,178.

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% £**
Inspection Services (UK) Limited	2,473	6,514
RSA Environmental Health Limited	(18,816)	(29,338)

Sensitivity analysis showed a small margin change would result in RSA's goodwill becoming impaired. Additional work undertaken found actual results to regularly exceed those forecasted year on year. Building in the same uplift to forecasts as prior actuals management are confident that goodwill is not impaired.

7. TRADE AND OTHER RECEIVABLES

	31.3.22 £	31.3.21 £
Trade receivables	**630,617**	481,161
Less provision for impairment of trade receivables	**(2,485)**	(2,345)
Trade receivables (net)	**628,132**	478,816
Social security and other taxes	**1,405**	658
Other debtors and prepayments	**92,441**	106,583
Contract assets	**4,400**	4,071
Total	**726,378**	590,128

At 31 March 2022 there were £2,485 impaired trade receivables (2021: £2,345).

The ageing of receivables is as follows:

	31.3.22 £	31.3.21 £
Up to 3 months	**578,761**	443,567
3 to 6 months	**20,008**	16,954
Over 6 months	**31,848**	20,640
	630,617	481,161

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

	31.3.22 £	31.3.21 £
At 1 April	**2,345**	15,463
Provision for receivables impairment	**3,716**	1,883
Release of provision	**(3,576)**	(15,001)
At 31 March	**2,485**	2,345

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 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.

8. STOCK

	31.3.22 £	31.3.21 £
Stocks	**185,685**	259,760

£57,564 of stock was written down in the current year (2021: £17,423). The value of stock consumed and recognised as an expense was £418,363 (2021: £684,561).

9. CASH AND CASH EQUIVALENTS

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

	31.3.22 £	31.3.21 £
Cash at bank and in hand	**649,363**	1,237,483

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

10. CALLED UP SHARE CAPITAL

	Number of shares (Nominal value of 10p)	Ordinary shares £	Share premium £	Total £
Called up, allotted and fully paid				
At 31 March 2020, 2021 and 2022	**14,677,257**	**1,467,726**	**1,916,017**	**3,383,743**
Cancellation of shares held in Treasury post year end	(2,830,238)	(283,024)	–	(283,024)
	11,847,019	1,184,702	1,916,017	3,100,719

The authorities granted by shareholders at the 2020 AGM and 2021 AGM were utilised to implement two share buyback programmes. The first was announced on 13 May 2021 and completed on 17 June 2021 and the second was announced on 21 January 2022 and completed on 16 March 2022. Over that period, the Company's broker was able to repurchase a total of 2,830,238 ordinary shares on the Company's behalf for a total consideration (including costs) of approximately £0.645m. The buyback programmes were 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. The repurchased shares were initially held in treasury but were subsequently cancelled on 6 May 2022. Accordingly, the number of ordinary shares in issue as at 31 March 2022 was 14,677,257 but subsequently reduced to 11,847,019 on 6 May 2022.

11. TRADE AND OTHER PAYABLES

	31.3.22 £	31.3.21 £
Trade payables	**134,316**	73,087
Social security and other taxes	**171,825**	163,759
Other payables	**8,830**	5,403
Accruals	**55,160**	42,364
Contract liabilities	**246,946**	233,632
Total	**617,077**	518,245

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2022

12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC Bank 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 2022.

13. LEASES

Year ended 31 March 2022	Land & Buildings £	Motor Vehicles £	Total £
Amounts due within 1 year – right of use lease liabilities	**11,275**	**19,357**	**30,632**
Amounts due over 1 year – right of use lease liabilities	**8,211**	**15,973**	**24,184**
Total	**19,486**	**35,330**	**54,816**

Year ended 31 March 2021	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
Total	38,523	32,198	70,721

14. DEFERRED TAX

Deferred tax asset	Tax losses carried forward £	Accelerated capital allowances £	Other short-term temporary differences £	Total £
At 1 April 2020	19,582	–	–	19,582
Credited/(debited) to income statement	(17,565)	–	–	(17,565)
At 31 March 2021	2,017	–	–	2,017
Credited/(debited) to income statement	–	–	13,574	13,574
At 31 March 2022	**2,017**	**–**	**13,574**	**15,591**

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 2020	34,948	11,151	5,157	51,256
Debited to income statement	–	(7,727)	7,459	(268)
At 31 March 2021	34,948	3,424	12,616	50,988
Debited/(credited) to income statement	–	(82)	10,936	10,854
At 31 March 2022	**34,948**	**3,342**	**23,552**	**61,842**

Deferred tax has been provided at 25% (2021: 19%). At present it is not envisaged that any tax will become payable in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2022

15. EXPENSES BY NATURE

	31.3.22 £	31.3.21 £
Cost of sales	**1,151,438**	968,246
Staff related costs	**1,598,673**	1,766,578
Premises costs	**42,814**	64,514
Professional fees	**176,183**	165,147
Other expenses	**415,813**	328,590
Goodwill impairment	**793,418**	250,000
Total cost of sales and administrative expenses	**4,178,339**	3,543,075

16. GOVERNMENT GRANTS

	31.3.22 £	31.3.21 £
Coronavirus Job Retention Scheme	**29,527**	379,839
Business grants	–	61,286
	29,527	441,125

17. EMPLOYEES

Staff costs (including executive directors)

	31.3.22 £	31.3.21 £
Wages and salaries	**1,368,091**	1,505,609
Social security costs	**140,659**	154,236
Other pension costs	**67,765**	72,249
	1,576,515	1,732,094

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

	31.3.22	31.3.21
Directors of PHSC plc and subsidiary companies	**7**	7
Consultants	**19**	19
Administrative	**18**	18
Total	**44**	44

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:

	31.3.22 £	31.3.21 £
Short-term employee benefits	**373,281**	367,385
Post-employment benefits	**42,435**	42,524
Total	**415,716**	409,909

18. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.22 £	31.3.21 £
Emoluments	**163,817**	161,846
Pension contributions to money purchase schemes	**22,548**	23,792
Total	**186,365**	185,638

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

	Year ended 31.3.22							Year ended 31.3.21
			Short-term employee benefits			Post employment benefits		
	Salary £	Bonus £	Waiver/ voluntary reduction £	Pension salary sacrifice £	Benefits £	Pension £	Total £	Total* £
S A King	**93,782**	**5,265**	**(35,000)**	**(3,600)**	**2,844**	**6,359**	**69,650**	82,152
N C Coote	**75,583**	**5,265**	**–**	**(13,067)**	**2,483**	**16,189**	**86,453**	76,486

The benefits relate to health insurance. Stephen King's bonus was added to salary whereas Nicola Coote opted to take her's as a pension contribution.

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

	31.3.22 £	31.3.21* £
G N Webb	**15,131**	13,500
L E Young	**15,131**	13,500
Total	**30,262**	27,000

* All board members accepted a 20% reduction to their salaries during the height of the pandemic (from May to October).

19. FINANCE INCOME

	31.3.22 £	31.3.21 £
Finance income		
Interest received	**388**	999

20. TAXATION

Analysis of tax charge in year

	31.3.22	31.3.21
	£	£
Current tax:		
UK corporation tax on profits in the year	**55,115**	88,724
Adjustments in respect of previous year	**810**	–
Total current tax charge	**55,925**	88,724
Deferred tax:		
Origination and reversal of temporary differences	**(2,720)**	13,138
Adjustment in respect of prior period	**–**	(54)
Effect of tax rate change on opening balance	**–**	433
Total deferred tax (credit)/charge	**(2,720)**	13,517
Tax on profit on ordinary activities	**53,205**	102,241

Reconciliation of tax on ordinary activities

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 19% (2021: 19%) and the tax expense recognised in the income statement can be reconciled as follows:

	31.3.22	31.3.21
	£	£
(Loss)/profit on ordinary activities before tax	**(577,798)**	**189,988**
Tax on (loss)/profit on ordinary activities at standard rate of corporation tax of 19% (2021: 19%)	**(109,782)**	36,098
Effects of:		
Expenses not deductible for tax purposes	**151,028**	47,506
Fixed asset timing differences	**1,411**	–
Movement in revalued property deferred tax less capital gain on disposal	**–**	(2,096)
Effect of tax rate change on opening deferred tax balance	**9,738**	606
Adjustments in respect of prior periods	**810**	–
Movement on unprovided deferred tax asset	**–**	499
Losses carried forward	**–**	19,628
Total tax charge	**53,205**	102,241

The UK government has legislated to increase the main rate of corporation tax to 25% from 1 April 2023.

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.

	31.3.22	31.3.21
(Loss)/profit attributable to equity holders of the Group (£)	**(631,003)**	87,747
Weighted average number of ordinary shares in issue	**13,250,966**	14,677,257
Basic (loss)/earnings per share (pence per share)	**(4.76)p**	0.60p

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 2021: half was paid in February 2021 and the balance in October 2021. An interim dividend of 0.5p in respect of the year ended 31 March 2022 was paid in January 2022 (£64,830) and a final dividend of 0.5p is proposed, subject to shareholder approval, for payment in October 2022, thereby matching the total of 1.0p paid last year.

23. RELATED PARTY DISCLOSURES

	31.3.22 £	31.3.21 £
PHSC plc dividends paid to directors		
S A King	**28,331**	31,894
N C Coote	**27,920**	31,439
G N Webb MBE	**194**	194
	56,445	63,527

The balance of the Company loan (£4,599) to Leigh Simmonds, a director of QLM was repaid during the year.

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party, but the largest shareholder, Mr S A King, currently holds 21.62% (2021: Mr S A King 21.67%) of the issued share capital of PHSC plc.

25. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.22 £	31.3.21 £
Financial assets at amortised cost		
Trade and other receivables	**726,378**	590,128
Cash and cash equivalents	**649,363**	1,237,483
	1,375,741	1,827,611
Financial liabilities at amortised cost		
Trade and other payables	**617,074**	518,245
	617,074	518,245
Due within 1 year	**617,074**	518,245
Due in over 1 year	**–**	–
	617,074	518,245

26. REVENUE

Set out below is a breakdown of revenue:

	31.3.22 £	31.3.21 £
Health and safety services	**2,097,323**	1,652,143
Quality systems services	**724,142**	500,702
Security related products	**749,161**	1,136,617
	3,570,626	3,289,462

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:

	31.3.22 £	31.3.21 £
Receivables which are included in 'trade and other receivables'	**628,132**	478,816
Contract assets	**4,400**	4,071
Contract liabilities	**246,945**	233,632

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.

26. REVENUE – continued

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

	31.3.22	31.3.21
	£	£
Revenue deferred into future periods	**(246,945)**	(233,632)
Revenue accrued in current period	**4,400**	4,071
Deferred revenue recognised in the period	**233,632**	216,331

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

As referred to in Note 10, the 2,830,238 ordinary shares of 10p each held in treasury further to the two share buyback programmes completed between 31 May 2021 and 16 March 2022, were cancelled on 6 May 2022. Following such cancellation, PHSC plc no longer holds any ordinary shares in treasury.

PHSC plc

COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

Registered number: 4121793

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Note	31.3.22 £	31.3.21 £
Non-Current Assets			
Property, plant and equipment	9	**386,372**	400,441
Investments	10	**2,312,278**	3,113,206
		2,698,650	3,513,647
Current Assets			
Trade and other receivables	11	**1,478,265**	810,665
Cash and cash equivalents	12	**91,555**	1,036,118
		1,569,820	1,846,783
Total Assets		**4,268,470**	5,360,430
Current Liabilities			
Trade and other payables	13	**29,338**	32,113
		29,338	32,113
Non-Current Liabilities			
Deferred taxation	14	**48,823**	38,031
		48,823	38,031
Total Liabilities		**78,161**	70,144
Net Assets		**4,190,309**	5,290,286
Capital and reserves attributable to equity holders of the Group			
Called up share capital	15	**1,467,726**	1,467,726
Share premium account	15	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Treasury shares		**(644,738)**	-
Retained earnings		**1,173,840**	1,629,079
		4,190,309	5,290,286

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company profit and loss account. The loss for the year was £325,024 (2021: profit of £343,344).

Approved and authorised for issue by the board on 2 August 2022 and signed on its behalf by:

S A King *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Treasury Shares £	Retained Earnings £	Total
Balance at 1 April 2020	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)
Balance at 31 March 2021	1,467,726	1,916,017	133,836	143,628	–	1,629,079	5,290,286
Balance at 1 April 2021	1,467,726	1,916,017	133,836	143,628	–	1,629,079	5,290,286
Loss for year attributable to equity holders	–	–	–	–	–	(325,034)	(325,034)
Purchase of own shares	–	–	–	–	(644,738)	–	(644,738)
Dividends paid	–	–	–	–	–	(130,205)	(130,205)
Balance at 31 March 2022	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**(644,738)**	**1,173,840**	**4,190,309**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Note	31.3.22 £	31.3.21 £
Cash flows used by operating activities:			
Cash used by operations	I	**(885,497)**	(172,427)
Group tax relief receipt		**40,823**	39,077
Net cash used by operating activities		**(844,674)**	(133,350)
Cash flows from investing activities			
Purchase of property, plant and equipment		–	(2,097)
Dividends from subsidiary companies		**675,000**	755,000
Interest received		**54**	997
Net cash from investing activities		**675,054**	753,900
Cash flows used by financing activities			
Dividends paid to Group shareholders		**(130,205)**	(146,772)
Purchase of own shares		**(644,738)**	-
Net cash used by financing activities		**(774,943)**	(146,772)
Net increase in cash and cash equivalents		**(944,563)**	473,778
Cash and cash equivalents/(overdraft) at beginning of year		**1,036,118**	562,340
Cash and cash equivalents at year end		**91,555**	1,036,118

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 2022

	31.3.22 £	31.3.21 £
I. CASH USED BY OPERATIONS		
Loss before taxation and interest	**(1,030,119)**	(452,354)
Depreciation charge	**14,069**	14,899
Impairment of investment	**800,928**	255,000
Increase in trade and other receivables	**(667,600)**	24,469
Decrease in trade and other payables	**(2,775)**	(14,441)
Cash used by operations	**(885,497)**	(172,427)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2022

1. BASIS OF PREPARATION

The Company's financial statements have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost convention except as noted below.

The preparation of financial statements in conformity with UK adopted international accounting standards 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 (2022: £675,000; 2021: £755,000) was £1,000,034 (2021: loss of £411,656). There were no recognised gains and losses for 2022 or 2021 other than those included in the Company statement of comprehensive income.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate and in accordance with Financial Reporting Council guidance have provided reasons for this opinion in the going concern section of the strategic report on page 12 of the Group accounts.

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.

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 investment'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. 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. 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.

2. ACCOUNTING POLICIES – continued

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 on the subsidiary companies and is recognised when the service is delivered.

4. LOSS BEFORE TAXATION

The profit before taxation is stated after charging:

	31.3.22	31.3.21
	£	£
Depreciation – owned assets	**14,069**	14,899

5. DIRECTORS' REMUNERATION

Full details are given on page 48 of the Group accounts.

6. STAFF COSTS

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

	31.3.22	31.3.21
Directors	**4**	4
Consultants	**1**	1
Administration	**2**	2
	7	7

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**161,689**	186,603
Social security costs	**20,234**	21,616
Other pension costs	**14,081**	23,054
	196,004	231,273

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

7. AUDITOR'S REMUNERATION

Full details are given on page 41 of the Group accounts.

8. FINANCE INCOME

	31.3.22 £	31.3.21 £
Finance income		
Interest received	**54**	997

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2020	441,908	42,814	17,060	501,782
Additions	–	–	2,097	2,097
Disposals	–	–	–	–
At 31 March 2021	441,908	42,814	19,157	503,879
Additions	–	–	–	–
Disposals	–	–	–	–
At 31 March 2022	**441,908**	**42,814**	**19,157**	**503,879**
DEPRECIATION				
At 1 April 2020	58,542	24,115	5,882	88,539
Charge for year	8,838	2,742	3,319	14,899
Disposals	–	–	–	–
At 31 March 2021	67,380	26,857	9,201	103,438
Charge for year	8,838	2,742	2,489	14,069
Disposals	–	–	–	–
At 31 March 2022	76,218	29,599	11,690	117,507
NET BOOK VALUE				
At 31 March 2022	**365,690**	**13,215**	**7,467**	**386,372**
At 31 March 2021	374,528	15,957	9,956	400,441
At 31 March 2020	383,366	18,699	11,178	413,243

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.22 £	31.3.21 £
At 1 April	**3,113,206**	3,368,206
Write off of investment in Adamson's Laboratory Services Limited	**–**	(5,000)
Impairment of investment in B2BSG	**(683,688)**	(200,000)
Impairment of investment in ISL	**(117,240)**	-
Impairment of investment in RSA	**–**	(50,000)
At 31 March	**2,312,278**	3,113,206

Every year the board assesses the value of investment on the balance sheet and takes a view on whether this is realistic and justifiable. Despite 2020-21 and 2021-22 being unrepresentative of any normal trading period, the board has difficulty in predicting that the Security Division will return to the level of profit required to support the investment pertaining to B2BSG in the balance sheet. Accordingly, the full value of B2BSG's investment of £683,688 has been written off. Following careful review, the carrying value of ISL has also been reduced by £117,240. This subsidiary has seen a plateau in spending on its services and costs are rising in an inflationary environment.

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

11. TRADE AND OTHER RECEIVABLES

	31.3.22 £	31.3.21 £
Amount owed by subsidiary undertakings	**1,443,068**	776,338
Social security and other taxes	**1,405**	658
Other debtors and prepayments	**33,792**	33,669
	1,478,265	810,665

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

	31.3.22 £	31.3.21 £
Bank	**91,555**	1,036,118

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC Bank 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 2022. On 31 March 2022, PHSC plc's Company balance was £91,555 (2021: £1,036,118) within the Group's cash at bank and in hand figure of £649,363 (2021: £1,237,483).

13. TRADE AND OTHER PAYABLES

	31.3.22 £	31.3.21 £
Trade payables	**4,145**	10,805
Social security and other taxes	**4,956**	7,734
Other payables	**1,168**	645
Accruals	**19,069**	12,929
	29,338	32,113

14. DEFERRED TAXATION

	31.3.22 **£**	31.3.21 £
Deferred taxation – accelerated capital allowances	**48,823**	38,031

	31.3.22 **£**	31.3.21 £
At 1 April	**38,031**	38,655
Deferred tax charge/(credit) in year	**10,792**	(624)
At 31 March	**48,823**	38,031

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, 2021 and 2022	**14,677,257**	**1,467,726**	**1,916,017**	**3,383,743**
Cancellation of shares held in Treasury post year end	(2,830,238)	(283,024)	–	(283,024)
	11,847,019	1,184,702	1,916,017	3,100,719

The authorities granted by shareholders at the 2020 AGM and 2021 AGM were utilised to implement two share buyback programmes. The first was announced on 13 May 2021 and completed on 17 June 2021 and the second was announced on 21 January 2022 and completed on 16 March 2022. Over that period, the Company's broker was able to repurchase a total of 2,830,238 ordinary shares on the Company's behalf for a total consideration (including costs) of approximately £0.645m. The buyback programmes were 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. The repurchased shares were initially held in treasury but were subsequently cancelled on 6 May 2022. Accordingly, the number of ordinary shares in issue as at 31 March 2022 was 14,677,257 but subsequently reduced to 11,847,019 on 6 May 2022.

16. RELATED PARTY DISCLOSURES

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

	31.3.22 **£**	31.3.21 £
Management charge from PHSC plc to subsidiary companies	180,000	180,000

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

	31.3.22 **£**	31.3.21 £
Amounts owed by group undertakings		
B2BSG Solutions Limited	**2,039**	20,640
Camerascan CCTV Limited	**229,701**	229,701
In House the Hygiene Management Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**17,248**	3,110
Personnel Health & Safety Consultants Limited	**402,541**	45,526
QCS International Limited	**189,495**	4,630
Quality Leisure Management Limited	**80,795**	642
RSA Environmental Health Limited	**51,945**	2,785
	1,443,068	776,338
PHSC plc received dividends from subsidiaries as follows:		
Inspection Services (UK) Limited	**15,000**	30,000
Personnel Health & Safety Consultants Limited	**350,000**	475,000
QCS International Limited	**180,000**	125,000
Quality Leisure Management Limited	**80,000**	75,000
RSA Environmental Health Limited	**50,000**	50,000
	675,000	755,000
PHSC plc dividends were paid to directors as follows:		
S A King	**28,331**	31,894
N C Coote	**27,920**	31,439
G N Webb MBE	**194**	194
	56,445	63,527

17. FINANCIAL INSTRUMENTS

Set out below are the Company's financial instruments:

	31.3.22 £	31.3.21 £
Financial assets at amortised cost		
Trade and other receivables	**1,478,265**	810,665
	1,478,265	810,665
Financial liabilities at amortised cost		
Trade and other payables	**29,338**	32,113
	29,338	32,113
Due within 1 year	**29,338**	32,113
Due in over 1 year	**–**	–
	29,338	32,113

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.

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. 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 2022-23 based on the impact COVID-19 continuing to lessen 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, 2024-25, 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% (2021: 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 21.62% (2021: Mr S A King 21.67%) of the issued share capital of PHSC plc.

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 29 September 2022 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions.

1. To receive the annual report and audited accounts for the year ended 31 March 2022.

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

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

4. To re-elect Lorraine Young as a director.

5. 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.

6. THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or to convert any security into, shares in the Company up to a total nominal amount of £394,900 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the AGM in 2023 or on 29 September 2023, 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

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

   (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter 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 £236,940.

   such power to expire at the conclusion of the AGM of the Company in 2023 or, if earlier, on 29 September 2023, unless such power is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

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

   (a) the maximum number of ordinary shares authorised to be purchased shall be 1,184,701;

   (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 2023 or, if earlier, at the close of business on 29 September 2023, 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

2 August 2022

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

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 27 September 2022. 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.

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 shaun.zulafqar@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 shaun.zulafqar@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 11,847,019 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 11,847,019.

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 29 September 2022

Please read carefully the notice of meeting, the accompanying notes and the explanation of the business to be transacted at the AGM (contained in the directors' report) before completing this form.

As a member of PHSC plc you have the right to attend, speak at and vote at the AGM. If you cannot or do not wish to attend the AGM but still want to vote you can appoint someone to attend the AGM and vote on your behalf. That person is known as a "proxy". You can use the proxy form to appoint the chair of the meeting or someone else, as your proxy. Your proxy does not have to be a member of the company.

I/We ……………………………………………………………………… (FULL NAME IN BLOCK CAPITALS)

being a member(s) of PHSC plc, appoint the chair of the meeting or ……......…………………………………....

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

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

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

Signature(s) ………………………………......…..….................….. (see note 5) Date ……………………..…………2022

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.
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.