Annual Report
2018

PHSC plc

B2BSG Solutions

Envex
Health, Safety & Risk Consultants

IH In House
In House The Hygiene Management Company

Inspection Services (U.K.)

PHSC Ltd
Personnel Health & Safety Consultants

QCS International

QLM
QUALITY LEISURE MANAGEMENT

RSA Environmental Health

NATIONAL SAFETY CERTIFICATION SCHEME FOR SCHOOLS
SafetyMARK

PHSC plc

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for the year ended 31 March 2018

PHSC plc

COMPANY INFORMATION

for the year ended 31 March 2018

DIRECTORS:	S A King N C Coote G N Webb MBE L E Young
SECRETARY:	Lorraine Young Company Secretaries Limited
REGISTERED OFFICE & BUSINESS ADDRESS:	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
REGISTERED NUMBER:	4121793 (England and Wales)
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 8-10 Grosvenor Gardens London SW1W 0DH

PHSC plc

STRATEGIC REPORT

for the year ended 31 March 2018

FINANCIAL HIGHLIGHTS

- Loss after tax of £0.16m compared with a loss of £0.69m last year
- Underlying EBITDA* profit of £0.14m, up from loss of £0.10m last year
- Group revenue of £7.0m compared with £7.2m last year
- Cash reserves of £0.24m at year end compared to £0.21m last year
- Write-down of £0.20m due to impaired goodwill compared to £0.63m last year
- Group net assets at £5.29m after goodwill impairment compared to £5.5m last year
- Loss per share of 1.09p compared to a loss per share of 4.92p last year
- Final dividend of 0.5p proposed, making a total of 1.0p for the year compared to £nil last year

	31.3.18 **£**	31.3.17 £
Loss before tax	**(145,861)**	(720,693)
Less: interest received	**(3)**	(471)
Add: interest paid	**3,778**	2,117
Add: depreciation	**34,590**	44,089
Add: impairment B to B Links Limited goodwill	**200,000**	–
Add: impairment Adamson's Laboratory Services Limited goodwill	**–**	625,191
Add: redundancy costs regarding closure of Adamson's Laboratory Services Limited	**47,000**	–
Fair value movement on contingent consideration	**–**	(50,000)
Underlying EBITDA*	**139,504**	(99,767)

* Underlying EBITDA is calculated as earnings before interest, tax, depreciation, impairment charges, non-recurring costs and fair value movement on contingent consideration. 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.

Underlying EBITDA announced as part of the trading update on 8 June 2018 was £184,000. The difference between this and the final underlying EBITDA of £139,504, represents an audit adjustment for a non-cash provision in respect of slow moving stock of £45,000. This arose following a review of stock with the security businesses by management due to the merger of SG Systems (UK) Limited and B to B Links Limited and the subsequent audit of stock in those entities prior to the finalisation of the accounts. The adjustment is a non-cash adjustment and is included in cost of sales and impacts profit before tax.

OPERATIONAL HIGHLIGHTS

- Discontinuation of activities related to asbestos management
- Acceleration of plans to merge the two security technology companies
- Progress towards creation of divisional structures for safety and security businesses

On behalf of the board, I present my review of the Group's activities and performance in the last financial year and share our views as to the ongoing prospects and challenges that we face in the year ahead.

KEY DEVELOPMENTS AND OUTLOOK

PHSC plc, through its trading subsidiaries, has historically been a leading provider of health, safety, hygiene and environmental consultancy services to the public and private sectors. The Group took a decision to diversify into security technology and associated systems with the acquisition of B to B Links Limited (B to B) in 2012 and increased its interest in the sector by acquiring SG Systems (UK) Limited (SG) in 2014. This led to the majority of the Group's revenues last year, for the first time, being derived from the security businesses rather than health and safety services. The pattern has continued with security services accounting for 60% of revenues, health and safety 23% and quality systems 11%. The remaining 6% of revenues were generated by Adamson's Laboratory Services Limited (ALS) which, as previously reported, was closed down during the year.

For our security technology companies, most clients are in the retail sector. This means that our businesses are affected by the continued decline of the high street, with footfall down as a consequence of on-line sales and, in early 2018, severely adverse weather conditions. Taken together with general uncertainty over Brexit and the weakness of sterling, this has led to reduced opportunities and pressure on gross margins. The security businesses in combination produced a (pre-management charge) profit of £27,000 before a provision for slow moving stock of £45,000 for the Group in 2017/18 compared with a loss of £61,000 in 2016/17, meaning a positive change of £88,000. However, the continuing uncertainty in the sector has led the board, after consultation with the auditor, to make a provision of £200,000 against the carrying value of the Group's security division.

With effect from 1 April 2018, the security businesses of B to B and SG were combined into a single entity named B2BSG Solutions Limited. Over the coming months it is planned to consolidate the two stock inventories into a single warehouse, and to amalgamate and streamline the administration, engineering and sales teams. As part of the planned integration, management conducted a full review of stock and together with the auditor, identified slow moving stock for which a non-cash provision of £45,000 has been made. There will also be changes in the management and reporting structure, and we propose to vacate the Amesbury premises in the 2018/19 financial year. These changes will have some initial cost implications but overall are expected to have a net positive effect on the Group's finances.

Income for the health and safety businesses continues to originate from a wide range of clients across various sectors, and we are particularly strong in education, leisure, health and social care, and public transport. We also serve a range of general commercial, public sector and industrial organisations across the UK. In addition, we conduct statutory examinations of plant and equipment such as pressure systems, lifting machinery and accessories, and other work equipment either directly with clients or through insurance broker intermediaries.

During the year we put into effect our decision to close down ALS, which operated from premises in Essex and the Midlands. The Essex office is in the process of being sold (subject to contract) and is expected to raise £300,000 of cash after expenses.

An extremely positive performance has been achieved by our QCS International Limited (QCS) subsidiary which specialises in consultancy support and training in quality systems management. QCS is looking to take on additional premises alongside its existing Cumbernauld office, to help service the consistently high level of demand for public training courses.

Our plans to form a safety division are progressing at a natural pace. The lease on The Old Police Station in Northleach, occupied by Quality Leisure Management Limited (QLM), expires in 2018 and the subsidiary will be relocating to Raunds (Northamptonshire) to take up residence in Blotts Barn. This is the Group-owned accommodation formerly shared between RSA Environmental Health Limited (RSA) and ALS. Now that ALS has ceased operations, the space has become available and this move will reduce QLM's premises-related costs. This will mean that the Group will operate from four locations including the Aylesford Head Office, with the security division based at Finchampstead (Berkshire), the safety division at Aylesford and Raunds, and quality management systems delivered from Cumbernauld.

Acquisition payments

There are no outstanding liabilities in respect of former acquisitions and currently there are no planned new acquisitions.

Net asset value

As at 31 March 2018, the Group's consolidated net assets stood at £5.29m. There were 14,677,257 ordinary shares in issue at that date which equates to a net asset value per share of 36p.

The company's ordinary shares continue to trade at a discount to the net asset value. Much of the asset value relates to goodwill arising from previous acquisitions. We review the carrying value each year to ensure that the book value is stated within a range commensurate with good accounting practice. As noted above, we are writing down the carrying value of our retail-dependent security businesses by £200,000 and this represents a reduction of approximately 4% in the consolidated net assets of the Group. The board is satisfied that all other goodwill valuations can presently be justified.

Outlook

It is necessary to reiterate the commentary made in last year's report, wherein we stated that the Group is affected by political uncertainty surrounding the timetable and implications of leaving the European Union. The weakness of sterling, triggered by the outcome of the Brexit referendum two years ago, continues to impact on margins. This is because we rely upon imported goods. In particular within our security business, goods are predominately purchased in Euros or US Dollars, and it has not proved commercially feasible to pass the full cost of this on to our customers.

Losses associated with ALS are now a matter of history following its closure during the year. There are some ongoing implications as outlined below but no material implications going forward. Prior to moving into security technology, ALS was the largest part of the Group and the largest subsidiary and made the greatest contribution towards the Group's costs, approximately £200,000 per annum. Whilst we have now extricated ourselves from that business, management's task is to find ways to replace the lost contribution. The security division was intended to do this but, for reasons explained, has encountered its own difficulties and will not make up the shortfall. However, the safety division remains profitable and consolidation of sites will reduce costs. All other things being equal, the highly encouraging growth in revenue and profit from QCS gives us an expectation that overall and on a consolidated basis, 2018/19 will see an improvement on 2017/18.

Trading update

Unaudited management accounts for the first quarter of 2018/19, after adjusting for late invoice receipts from suppliers and a settlement to compensate for unfinished asbestos work payable to a client of ALS show the following: Group revenues were £1.56m and this generated EBITDA of £121,815. This compares with total revenues of £1.82m for the first quarter of 2017/18 and EBITDA of £121,351, which included results for ALS which has now been discontinued.

PERFORMANCE BY TRADING SUBSIDIARY

The Group currently measures the following key performance indicators.

Total revenues

Total revenues are reviewed each month across the Group because this information gives a ready measure of how well the Group and underlying businesses are performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate. Consolidated Group revenues for the year decreased by 2%;

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

After allowing for exceptional costs, the Group saw an increase in EBITDA from a loss of £100,000 to a profit of £139,500.

Staff turnover

Staff turnover is monitored because the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. Between the years ended 31 March 2017 and 2018 the average number of staff employed across the Group fell from 88 to 72. The main reason for the decrease was the closure of ALS which resulted in all except one employee leaving the business.

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

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

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

Adamson's Laboratory Services Limited (ALS)

- 2018: revenues of £377,852 yielding a loss of £165,100
- 2017: revenues of £823,208 yielding a loss of £194,600

The adverse effects of competition within the sector resulted in the Group making the decision to discontinue operations related to asbestos services on 31 December 2017. ALS continued to provide general health and safety services until 31 March 2018 at which point the remaining client contracts were satisfied by other Group companies.

The trading name, intellectual property, and the rights to offer asbestos management service to former clients were sold to another asbestos consultancy for £25,000.

Accordingly, ALS became dormant with effect from 31 March 2018. There will however be certain ongoing costs in respect of outstanding leases on some office machinery, where it has been determined that heavy penalties for early settlement make it less expensive to continue with the leases. In addition, the Group is obliged to carry run-off insurance in relation to previously completed work by ALS with some contracts requiring this for up to six years.

It is also expected that there could be some one-off costs (which are not expected to exceed £15,000) relating to compensation to some ALS clients for their out-of-pocket costs where work was not completed by the time ALS ceased operation.

B to B Links Limited (B to B)

- 2018: revenues of £2,777,300 yielding a profit of £78,300
- 2017: revenues of £2,594,900 yielding a profit of £52,500

During 2018 B to B generated revenues of £2,777,300, up 7% on the previous year. The majority of revenues in 2017/18 continued to come from national retail accounts, with revenues from the largest customer being £1.5m (2017: £1.5m), and non-retail CCTV revenues grew by 25% compared with 2016/17.

After a very strong first half, profits for the year ended below forecast due to weaker sales during the second half of the financial year. Nevertheless, the operating profit before management charge in 2017/18 was 49% higher than 2016/17, despite the very challenging retail marketplace due to tight control of overheads.

The profit is shown after a non-cash provision has been made of £15,000 (2017 – £nil) for slow moving stock.

SG Systems (UK) Limited (SG)

- 2018: revenues of £1,449,000 yielding a loss of £96,200
- 2017: revenues of £1,414,500 yielding a loss of £113,500

Revenues for SG were £1,449,000, up 2% on the previous year, but significantly below forecast. The pressures facing the wider retail sector have led to delays in capital expenditure decisions, thus impacting on SG's revenues. Although the company made an operating loss for the year, this was considerably less than the previous year due to an improvement in gross margins, which was partly the result of the recovery of sterling's value against the US dollar.

Over the last 18 months significant effort has been devoted to marketing SG's wider retail technology offer, which includes products that can support retailers in driving sales conversion rates as well as reducing shoplifting. This has resonated strongly amongst key retail customers and prospects and a number of important in-store trials are now underway.

The profit is shown after a non cash provision has been made of £30,000 (2017 – £nil) for slow moving stock.

Inspection Services (UK) Limited (ISL)

- 2018: revenues of £215,500 yielding a profit of £46,300
- 2017: revenues of £227,600 yielding a profit of £44,200

The main business of ISL continues to be the statutory examination and inspection of lifting plant and equipment, and of pressure systems, under contracts placed by insurance brokers on behalf of end users. In return for passing this work to ISL, commissions are payable to brokers in line with agreed terms. In addition to examinations necessary to meet specific obligations under health and safety legislation, ISL also assists employers by carrying out non-statutory inspections of various other items of workplace equipment. It remains the case that a large majority of work derives through insurance brokers, though ISL also engages directly with clients in a number of cases.

Year-on-year revenues reduced by a little over 5%, reflecting a number of contracts that were not renewed for various reasons. These include situations where the equipment owner changes insurance broker and the new broker has pre-existing arrangements with another provider of the services that ISL offers. Whilst new contracts were won, these were outweighed by the value of those contracts that lapsed. To some extent this is cyclical, as in the previous year when new contracts were worth more than those lost.

ISL delivered higher profits on lower revenues thanks to a number of reductions in costs. The main contributor was an engineer surveyor electing to reduce his working week as a prelude to full retirement.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2018: revenues of £615,700 yielding a profit of £240,000
- 2017: revenues of £666,900 yielding a profit of £218,900

Profit increased by 10% to £240,000 despite a £51,200 decrease in revenue. The improved profit was a result of close control of expenditure, in particular staff costs. PHSCL continues to be a net provider of resources to other members of the group, with policy dictating that cross-charges are not applied to reflect this contribution. Staff utilisation by the other subsidiaries averaged 16% during the year so the improved profitability is particularly encouraging in the current environment.

The reduction in revenue can partially be attributed to one of PHSCL's largest clients taking some of their work in house. It also reflects the continuing high levels of competition, mainly from sole traders or small partnerships that have lower overheads and can thus price very competitively in what has become a mature and crowded market. The majority of PHSCL's revenue is obtained under a retainer service, with these clients often purchasing additional consultancy or training days. Customer loyalty remains high (over 70% of clients have been with PHSCL for 10 years or more) with a large proportion of work coming from existing or former customers.

PHSCL has been working on transitioning its ISO 9001 quality management processes into the new 2015 standard with the British Standards Institute (BSI) and has recently been successful in attaining accreditation. Maintenance of this standard with a reputable accreditation body helps to promote PHSCL's attention to quality of service.

Revenues in the subsidiary's key product, the Appointed Safety Advisor Service continue to be flat as customers either recruit in-house or prefer to buy services on an ad-hoc basis and a key part of the business plan for the coming year is to attract entirely new customers, whilst maintaining the high-quality levels of support to those who are already established customers.

One area which has enjoyed significant growth has been the development of our expert witness service which is growing from an ad-hoc service to one that has achieved over 300% increase in revenue as the subsidiary becomes better known within the legal profession. This is often complex and high profile work which helps to promote the company's reputation as an expert in the field of occupational health and safety risk management.

QCS International Limited (QCS)

- 2018: revenues of £767,600 yielding a profit of £285,200
- 2017: revenues of £624,000 yielding a profit of £210,800

QCS continues to be a leader in the design, marketing and delivery of training courses and consultancy to the ISO standards, which can be seen in the high number of public training courses, in house training courses and new consultancies delivered. QCS is highly regarded within its locale and has a considerable share of the ISO training market for southern and central Scotland. In 2017/18 QCS also benefitted from a small increase in work outside of its core geographical area with clients being secured as far south as Kent.

Revenues were up £143,600 (23%) compared to 2016/17 and the corresponding profit before tax and central management charges increased by £74,400 (35%).

Performance exceeded management forecasts for both revenue and operating profit. This was underpinned by high levels of client retention along with the expansion of consultancy and training services. Additional services were provided to longstanding customers and the company reaped the benefits of market demand relating to the new ISO 9001 and ISO 14001 standards. The update to standards continues to underpin a proportion of new sales although this effect is slowly declining and will probably end during the next financial year. Some benefit from the new ISO 45001 standard for health and safety will be experienced, and evidence has already shown that sales of training in this area for the year ahead will be good.

QCS retains approved training partner status with the International Register of Certified Auditors (IRCA). The costs and benefits associated with maintaining this relationship are regularly reviewed but this status continues to differentiate the company from competitors.

Medical device consultancy and training continues to be a successful area of the business. QCS is benefitting from changes in the medical device regulatory structure that has increased enquiries and has also led to the introduction of two new courses.

QCS launched a new website in May 2017. With carefully targeted advertising and search engine optimisation it has been notable that there has been an increase in enquiries from around the UK, with several leads from previously unknown clients leading to sales.

Quality Leisure Management Limited (QLM)

- 2018: revenues of £439,400 yielding a profit of £111,900
- 2017: revenues of £437,100 yielding a profit of £74,300

Revenue for 2017/18 of £439,400 was similar to the prior year though greater efficiency in delivery resulted in pre-tax profit of £111,900 before central management charges compared to £74,300 in 2016/17. This was primarily the result of a reduction in staff costs.

QLM continued to focus on core business objectives and key areas of income generation in 2017/18, namely audits, training and accident investigation. The support service is also key to QLM's success in being able to support the diverse and changing needs of its client base. Over £100,000 of revenue was generated from auditing, representing an increase of 21%, utilising QLM's specialist skill sets. Accident investigation income remained relatively constant given the nature of the work, but continues to be vital in setting QLM apart from its competitors. It demonstrates the competence within the broader QLM team and is a pre-requisite for supporting the Chartered Institute of Environmental Health in delivery of sections of its continuing professional development programme.

Other expenditure generally remained consistent with the previous year.

Technology and the associated infrastructure are vital to QLM and investment has and will continue to be made in these areas. The server has been replaced by a cloud-based system which has led to greater efficiency in uploading and accessing data from a number of different platforms. An audit specific cloud-based system is to be introduced during 2018/19 to accommodate QLM's Leisuresafe™ audits and health and safety reviews.

RSA Environmental Health Limited (RSA)

- 2018: revenues of £370,400 yielding a profit of £75,400
- 2017: revenues of £374,100 yielding a profit of £65,100

The principal activities of the company in the year under review were the provision of health and safety consultancy services and training, together with the sale of associated health and safety products. Revenue for the year was marginally down on the previous year but despite this, there was an increase in profitability due to cost control measures.

The past year has seen organic growth in activities where the strengths of the company lie. New strategies are being developed to ensure that the company's offering is diversified and is relevant to the markets in which it operates.

The core offering of SafetyMARK to the education sector remains the focus of the company, with increased income year-on-year. Revenues broke through the £100,000 barrier in this area despite cost pressures placed on schools and the continued consolidation of schools into Multi Academy Trusts. The company has increased the number of schools to which is provides services and this continues to be a focus in 2018/19

Despite the focus on SafetyMARK, the past year has also seen strong growth in other areas of the business. Training has seen an increase in the number of courses being provided to clients and there continues to be demand for our IOSH accredited school courses. Reducing the frequency of courses has increased the average attendance, which has, in turn, resulted in an improvement in profitability.

Food safety consultancy has seen some strong demand in the past year with revenues being well above forecast. However, there are some significant and increasing cost pressures within this market and clients see consultancy as something of a luxury.

The continued success of SafetyMARK means that new enquiries from prospective clients are strong. New business has been gained with a focussed marketing strategy. The key will now be to ensure that profitability is maximised by using the economies of scale afforded by a larger client base, as well as ensuring that costs are well controlled and standard fees are reviewed, where appropriate.

PHSC plc

- 2018: net loss of £521,700 before management charges, exceptional costs and dividends received
- 2017: net loss of £501,100 before management charges, exceptional costs and dividends received

The parent company incurs costs on behalf of the Group and does not generate any income. The costs incurred by PHSC plc represent the costs of running an AIM quoted Group and are consistent with the previous year.

PRINCIPAL RISKS AND UNCERTAINITIES

Regulatory/Marketplace

Much of the Group's work involves assisting organisations with the implementation of measures to meet regulatory requirements relating to health and safety at work. If the regulatory burden was to be substantially lightened, for example if the government embarked upon a programme of radical deregulation, there could be less demand for the Group's services. Changes to the operation of the employer's liability insurance system, as proposed in some quarters, could reduce the incentive for organisations to buy in claims-preventive services such as health and safety advice. In mitigation of these risks, the board has diversified the Group's range of offerings for example, by setting up a security division and is exploring non-regulatory areas of environmental work to add to the current portfolio of services.

Technological

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

Personnel

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

Geographical

The Group offers a nationwide service but a number of organisations see benefit in using consultancies that are local to them and internet search engines favour local providers. The acquisitions made, particularly QCS with an office in Scotland, have increased the geographical spread of the Group and assist in mitigating this risk.

Licences

The Group is reliant on licences and accreditations in order to be able to carry on its business. The temporary loss of, or failure to maintain, any single licence or accreditation would be unlikely to be materially detrimental to the Group, as the directors believe that this could be remedied. However, if the Group fails to remedy any loss of, or does not maintain, any licence or accreditation, this would have a material adverse effect on the business of the Group. The Group has internal processes in place to ensure that the licences and accreditations are maintained.

STRATEGIC REPORT *(continued)*

for the year ended 31 March 2018

GOING CONCERN

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate as the Group has adequate resources to continue in operational existence for the foreseeable future based upon the Group's forecasts and current banking facilities. The cashflow forecasts do not indicate that the facility will need to be increased. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In closing I would like to extend thanks to all our shareholders for their continued support, and to everyone employed across the Group for their hard work and effort.

On behalf of the board

Stephen King
Group Chief Executive

13 August 2018

REPORT OF THE DIRECTORS

for the year ended 31 March 2018

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2018.

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

The board did not declare a final dividend for the year ended 31 March 2017. An interim dividend of £73,386 (0.5p per share) was paid in February 2018 in respect of the year ended 31 March 2018. The board is proposing a final dividend of 0.5p per share payable on 12 October 2018 to shareholders on the register on 28 September 2018 making a total of 1.0p for the 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 30.

SHARE CAPITAL

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

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

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

EMPLOYEES

Each company within the Group has in place the necessary structures to ensure effective communication with its employees. In addition, there are initiatives to ensure that staff are offered continuing professional development opportunities appropriate to their roles. The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team meetings and briefings and bonuses are paid on the basis of individual performance and results at subsidiary and Group level. The Group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

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

The board would like to formally acknowledge the valuable work carried out by every employee and recognises that it is reliant upon each individual member of staff and management if it is to succeed and prosper.

DATA PROTECTION

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

REPORT OF THE DIRECTORS *(continued)*

for the year ended 31 March 2018

SUBSTANTIAL SHAREHOLDINGS

As at 3 August 2018, the following persons had notified the company of an interest of 3% or more of its issued share capital.

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

PROVISION OF INFORMATION TO AUDITOR

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

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

ANNUAL GENERAL MEETING

This year's AGM will be held at 10.00am on Monday 24 September 2018 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 61 to 63 of this document and a form of proxy is on page 65.

Details of the business to be considered at the meeting are given below.

Report and accounts (Resolution 1)

It is a requirement of company law that the annual report and accounts is laid before shareholders in general meeting.

Dividend (Resolutions 2)

As noted above, the directors recommend a final dividend of 0.5p per share.

Re-election of director (Resolutions 3)

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

Appointment of auditor (Resolution 4)

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

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

By law, directors are not permitted to allot new shares (or to grant rights over shares) unless they are authorised to do so by shareholders. In addition, directors require specific authority from shareholders before allotting new shares (or granting rights over shares) for cash without first offering them to existing shareholders in proportion to their holdings. Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 30 September 2019 to allot securities up to an aggregate nominal amount of £489,242.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 30 September 2019 to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to a maximum of 2,935,451 ordinary shares of 10p each, equivalent to 20% of the issued share capital as at 10 August 2018. It is intended to renew this authority and power at each annual general meeting.

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

Resolution 7 authorises the company, until the earlier of next year's AGM or 30 September 2019 to purchase in the market up to a maximum of 2,201,589 ordinary shares (equivalent to approximately 15% of the issued share capital of the company as at 10 August 2018) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 percent of the average of the middle market quotations for an ordinary share (as derived from the Daily Official List) for the five business days immediately before the date of purchase.

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

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

Voting

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

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

Subsequent events and future developments

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

Future developments have been discussed in the strategic report.

On behalf of the board

Lorraine Young Company Secretaries Limited
Secretary

13 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 March 2018

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements and company accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

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

They are further responsible for ensuring that the strategic report, the report of the directors and other information included in the annual report and financial statements is prepared in accordance with applicable law and regulations in the UK.

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

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

CORPORATE GOVERNANCE STATEMENT

for the year ended 31 March 2018

The directors consider it important that appropriately high standards of corporate governance are maintained. They have put in place governance structures and provide information which would be expected for companies quoted on AIM of the London Stock Exchange. The company intends to follow the QCA Corporate Governance Code (2018) and from 28 September 2018 details of compliance with this code will be available on the company's website.

LEADERSHIP

The board is made up of four directors, two of whom are executive, Stephen King (group chief executive) and Nicola Coote (deputy group chief executive) and two of whom are non-executive, Graham Webb MBE and Lorraine Young. Stephen King acts as chairman and chief executive. Since the board is comprised of only four members, the directors are of the view that there is no need to split these roles and for the same reason they have not appointed a senior independent director. Graham Webb has served fifteen years. The board is of the view that Graham Webb retains his independent judgement and continues to make a valuable contribution to the board. Lorraine Young was appointed on 1 April 2016. Biographical details of the directors can be found on the company's website (www.phsc.plc.uk).

The directors have a duty to promote the success of the company and to this end the board has clearly defined responsibilities set out in a formal schedule of matters reserved to it. This was reviewed during the year and includes setting the company's strategy; approving business plans; approving the annual report and accounts and shareholder communications; ensuring a sound system of internal controls and risk management; approving major contracts; determining the remuneration policy (on the recommendation of the remuneration committee); and making appointments to the board and other offices. Health and safety within the Group is considered at every board meeting. The board also considers the risks which face the Group which might impact on the achievement of its strategy and determines which ones are acceptable. Mitigations are put in place where practicable. The directors have continued to disclose their other interests and to date there have been no actual or potential conflicts of interest between these and the interests of the company.

EFFECTIVENESS

The board meets at least five times each year and the committees meet twice each year (or more often if required). During the year there was full attendance at all board and committee meetings with the exception of one instance where a board member was absent. Monthly management accounts are circulated to all directors. All directors have access to advice from the company secretary.

COMMITTEES

The board has delegated certain matters to committees. There is an audit committee and a remuneration committee. The terms of reference of these committees 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.

The audit committee comprises Lorraine Young (chair) and Graham Webb. During the year it has considered internal controls and risk management issues which are relevant to the Group. A risk register has been set up which will be kept under review as the Group's strategy evolves. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the Group are appropriate to the business.

There is an annual audit planning meeting between the external auditor and the committee chair as well as a formal meeting with the auditor and the committee at the time of the final results. The committee considers the continuing independence of the external auditor and notes the level of non-audit fees to ensure they remain at an acceptable level. Where relevant, developments in accounting standards and reporting have been discussed during the year. The audit committee reviews annually whether the Group needs to have an internal audit function and does not consider this to be necessary at present.

The remuneration committee comprises Graham Webb (chair) and Lorraine Young. The committee has written terms of reference and considers all aspects of the remuneration of the executive directors and other senior executives. As in prior years, any payments to senior executives under the Group bonus plan are approved by the committee. It also hears representations on any proposed general pay increases across Group subsidiaries and is responsible for approving those.

DIRECTORS' REMUNERATION

The remuneration of the executive directors was as follows:

	Year ended 31.3.18 Short term employee benefits							
	Salary	Bonus	Waiver	Pension salary sacrifice	Benefits	Post employment benefits Pension	Total	Year ended 31.3.17 Total
	£	£	£	£	£	£	£	£
S A King	**90,000**	**1,477**	**(4,810)**	**(3,600)**	**1,976**	**7,680**	**92,723**	95,251
N C Coote	**70,000**	**1,477**	**–**	**(5,400)**	**7,804**	**8,630**	**82,511**	82,535

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

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

	Year ended 31.3.18	Year ended 31.3.17
	£	£
G N Webb	**14,000**	14,000
L E Young	**14,000**	14,000

CORPORATE RESPONSIBILITY

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

RELATIONS WITH SHAREHOLDERS

The annual report is sent to all shareholders and, on request, to other parties who have an interest in the Group's performance. The company endeavours to send the notice of AGM and supporting papers to shareholders at least 20 working days before the meeting and responds promptly to any enquiries received from shareholders. The AGM provides the board with the opportunity to meet and engage directly with shareholders and all shareholders have the opportunity to put forward questions on performance and operations as well as other related topics at the AGM. Stephen King is the principal contact between PHSC plc and its investors, with whom he maintains a regular dialogue. The views of investors are communicated to the whole board.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PHSC PLC

for the year ended 31 March 2018

OPINION

We have audited the financial statements of PHSC plc (Parent Company) and its subsidiaries (Group) for the year ended 31 March 2018, which comprise:

- the Group statement of comprehensive income for the year ended 31 March 2018;
- the Group and parent company statements of financial position as at 31 March 2018;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 2018 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OVERVIEW OF OUR AUDIT APPROACH

Materiality

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

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £50,000 (FY17 £45,000), based on a percentage of Group revenue.

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

for the year ended 31 March 2018

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

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

We agreed with the audit committee to report to it all identified errors in excess of £2,500 (2017: £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 U.K. LLP and no component auditors were used.

Key Audit Matters

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

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

Key audit matter	How the scope of our audit addressed the key audit matter
Goodwill valuations and impairment reviews	Impairment reviews were conducted by management based upon current forecasts. We challenged management on assumptions used, conducted sensitivity analysis on key criteria and checked the calculations.
Revenue recognition	We reviewed the policy used by each company in the Group for all material income streams. We tested a sample of transactions and tested cut off along with deferred and accrued income where relevant. We discussed and confirmed our understanding of policies adopted.
Inventory	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. We also reviewed the ageing of stock items and the provisions in place for slow moving stock.
Going concern	We reviewed forecasts prepared by management along with current financing and post year end trading. We also reviewed historic forecasts to actual results achieved to assess accuracy.

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.

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

for the year ended 31 March 2018

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 directors' report and strategic 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 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

for the year ended 31 March 2018

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Darren Rigden *(Senior Statutory Auditor)*
for and on behalf of Crowe U.K. LLP
Statutory Auditor
Maidstone

13 August 2018

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Note	31.3.18 £	31.3.17 £
Non-Current Assets			
Property, plant and equipment	5	**594,343**	626,224
Goodwill	6	**3,678,463**	3,878,463
Deferred tax asset	14	**21,105**	21,693
		4,293,911	4,526,380
Current Assets			
Inventories	8	**389,034**	487,367
Trade and other receivables	7	**1,568,625**	1,447,493
Cash and cash equivalents	9	**244,290**	206,719
		2,201,949	2,141,579
Total Assets		**6,495,860**	6,667,959
Current Liabilities			
Trade and other payables	11	**1,137,094**	1,064,358
Current corporation tax payable		**16,230**	–
Contingent consideration	13	**–**	25,000
		1,153,324	1,089,358
Non-Current Liabilities			
Deferred tax liabilities	14	**55,818**	57,800
		55,818	57,800
Total Liabilities		**1,209,142**	1,147,158
Net Assets		**5,286,718**	5,520,801
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,467,726**	1,467,726
Share premium account	10	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Retained earnings		**1,625,511**	1,859,594
		5,286,718	5,520,801

The financial statements were approved and authorised for issue by the board of directors on 13 August 2018, and were signed on its behalf by:

S A King *Director*

Accounting policies and notes on pages 26 to 46 form part of these financial statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Note	**31.3.18** Continuing operations	**£** Discontinued operations	**Total**	31.3.17 Continuing operations	£ Discontinued operations	Total
Revenue		**6,635,012**	**377,852**	**7,012,864**	6,339,091	823,208	7,162,299
Cost of sales	15	**(3,688,565)**	**(248,886)**	**(3,937,451)**	(3,475,427)	(513,196)	(3,988,623)
Gross profit		**2,946,447**	**128,966**	**3,075,413**	2,863,664	310,012	3,173,676
Administrative expenses	15	**(2,724,895)**	**(317,604)**	**(3,042,499)**	(2,814,360)	(504,732)	(3,319,092)
Goodwill impairment	25	**(200,000)**	**–**	**(200,000)**	(625,191)	–	(625,191)
Other income		**–**	**25,000**	**25,000**	1,560	–	1,560
Profit/(loss) from operations		**21,552**	**(163,638)**	**(142,086)**	(574,327)	(194,720)	(769,047)
Fair value movement on contingent consideration	25	**–**	**–**	**–**	50,000	–	50,000
Finance income	18	**3**	**–**	**3**	471	–	471
Finance costs	18	**(2,411)**	**(1,367)**	**(3,778)**	(1,187)	(930)	(2,117)
Profit/(loss) before taxation		**19,144**	**(165,005)**	**(145,861)**	(525,043)	(195,650)	(720,693)
Corporation tax (expense)/credit	19	**(17,511)**	**2,675**	**(14,836)**	28,467	1,028	29,495
Profit/(loss) for the year after tax attributable to owners of the parent		**1,633**	**(162,330)**	**(160,697)**	(496,576)	(194,622)	(691,198)
Other comprehensive income		**–**	**–**	**–**	–	–	–
Total comprehensive income attributable to owners of the parent		**1,633**	**(162,330)**	**(160,697)**	(496,576)	(194,622)	(691,198)
Basic and diluted Earnings per Share from operations	20	**0.01p**	**(1.11)p**	**(1.09)p**	(3.53)p	(1.38)p	(4.92)p

Accounting policies and notes on pages 26 to 46 form part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share Capital £	Share Premium £	Merger relief reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2016	1,308,634	1,751,358	133,836	143,628	2,747,087	6,084,543
Loss for year attributable to equity holders	–	–	–	–	(691,198)	(691,198)
Issue of shares	159,092	164,659	–	–	–	323,751
Dividends	–	–	–	–	(196,295)	(196,295)
Balance at 31 March 2017	1,467,726	1,916,017	133,836	143,628	1,859,594	5,520,801
Balance at 1 April 2017	1,467,726	1,916,017	133,836	143,628	1,859,594	5,520,801
Loss for year attributable to equity holders	–	–	–	–	(160,697)	(160,697)
Dividends	–	–	–	–	(73,386)	(73,386)
Balance at 31 March 2018	1,467,726	1,916,017	133,836	143,628	1,625,511	5,286,718

Accounting policies and notes on pages 26 to 46 form part of these financial statements

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Note	31.3.18 £	31.3.17 £
Cash flows from operating activities:			
Cash generated from operations	I	**143,360**	124,925
Interest paid		**(3,778)**	(2,117)
Tax paid		**–**	(100,061)
Net cash generated from operating activities		**139,582**	22,747
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(19,358)**	(2,087)
Disposal of fixed assets		**15,730**	1,574
Interest received		**3**	471
Net cash used in investing activities		**(3,625)**	(42)
Cash flows used in financing activities			
Payment of contingent consideration		**(25,000)**	(200,000)
Proceeds from placement of shares		**–**	323,751
Dividends paid to Group shareholders		**(73,386)**	(196,295)
Net cash used in financing activities		**(98,386)**	(72,544)
Net increase/(decrease) in cash and cash equivalents		**37,571**	(49,839)
Cash and cash equivalents at beginning of year		**206,719**	256,558
Cash and cash equivalents at end of year		**244,290**	206,719

The above statement of cash flows relates to the Group. The statement of cashflows in relation to discontinued operations is shown separately in note 28.

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	31.3.18 £	31.3.17 £
I. CASH GENERATED FROM OPERATIONS		
Operating loss – continuing operations	**(142,086)**	(719,047)
Depreciation charge	**34,590**	44,089
Goodwill impairment	**200,000**	625,191
Fair value movement on contingent consideration	**–**	(50,000)
Loss on sale of fixed assets	**919**	5,545
Decrease/(increase) in inventories	**98,333**	(70,996)
(Increase)/decrease in trade and other receivables	**(121,132)**	447,384
Increase/(decrease) in trade and other payables	**72,736**	(157,241)
Cash generated from operations	**143,360**	124,925

ACCOUNTING POLICIES

for the year ended 31 March 2018

General information

PHSC plc is a company quoted on AIM and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given at the front of this report. The nature of the Group's operations and its principal activities are set out in the strategic report on page 3. The financial statements are presented in pounds sterling which is the Group's functional and presentation currency. The figures shown in the financial statements are rounded to the nearest pound.

Basis of preparation of financial statements

The Group's financial statements have been prepared in accordance with IFRSs, as adopted by the European Union, International Financial Reporting Intermediate Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention except as noted below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate as the Group has adequate resources to continue in operational existence for the foreseeable future based upon forecasts.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors have assessed the potential impact of IFRS 15. If IFRS 15 had been in place for the current and the preceding financial year then the impact on total revenues of the Group would be negligible. However, a one-off increase in reserves of approximately £90,000 would be made on transition to IFRS 15 due to revenue in one of the trading subsidiaries being recognised earlier in the course of a contract. IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. As at 31 March 2018 the estimated impact of the transition to IFRS 16 would be to increase tangible fixed assets and liabilities by approximately £52,000. The impact on the statement of comprehensive income is not expected to be material to the financial statements. IFRS 9 is not expected to have a material impact on the financial statements of the Group entities.

Basis of consolidation

The Group financial statements consolidate the financial statements of PHSC plc and all its subsidiary undertakings made up to 31 March 2018.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The acquisition of subsidiaries has been accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising on purchases prior to 1 April 2006 was capitalised and amortised over its useful economic life.

Inter-company transactions (including unrealised gains/losses) and balances are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.All other repairs and maintenance are charged to profit and loss in the period in which they are incurred.

At the date of transition to IFRS, the carrying value of land and freehold buildings that had previously been revalued is shown as deemed cost, and not subsequently revalued.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over the shorter of the expected useful life or lease term, as follows:

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

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

Operating lease commitments

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

Intangible assets

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

Impairment of intangible assets and property, plant and equipment

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

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

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

Inventories

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

Cash and cash equivalents

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

Financial instruments

Provision is made for diminution in value where appropriate.

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

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

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 fair value of the consideration received or receivable by the Group for services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts.

Historically the majority of the Group's revenue has arisen from the core health and safety businesses with the major income streams being derived from activities such as asbestos management, training, consultancy, supporting the education sector, serving the leisure industry and carrying out statutory examinations of plant and machinery. In 2016/17 more revenue arose from security-related sales in the form of installations and consumables than from health and safety services and this trend has continued.

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

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

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

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

Foreign currencies

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. FINANCIAL RISK MANAGEMENT

Financial risk

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the board which evaluate and manage financial risks in close co-operation with the managing directors of the subsidiary companies. The Group:

- regularly reviews credit extended to customers with appropriate action being taken to minimise the cost of bad debts;
- balances risk and return when assessing where to place cash surplus to the Group's immediate requirements; and
- keeps open options to employ debt finance to ensure that the Group has sufficient funds for continuing operations and planned expansions.

Market risk

The Group has interest-bearing assets which are subject to a variable rate of interest. Thus the Group is only exposed to interest rate risk, which is not expected to have a significant impact on profit or loss or equity.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

Liquidity risk

The Group keeps open avenues for securing debt finance to ensure that funds may be called upon if and when needed for operations and payments due in respect of acquisitions. The board monitors the Group's liquidity position on the basis of expected cash flow on a regular basis.

The following table analyses the Group's financial liabilities, which will be settled on a net basis, into relevant maturity groupings, based on the remaining period to maturity at 31 March. The amounts disclosed are the contractual undiscounted cash flows:

	Less than 1 year £	Between 1 & 2 yrs £	Between 2 & 5 yrs £	Over 5 yrs £
At 31 March 2018				
Trade and other payables	1,137,094	–	–	–
At 31 March 2017				
Trade and other payables	1,064,358	–	–	–
Contingent consideration	25,000	–	–	–

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 has a number of methods to in protecting against foreign risk and do 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. In order 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 forecast results to 31 March 2019 in perpetuity assuming a zero growth rate. Full details are disclosed in note 6.

Provision for obsolete and slow moving stock

Stock of approximately £67,000 has been identified as slow moving within the SG business. A £30,000 non cash provision has been made against stock to cover potential obsolescence. Within the B to B business stock of £56,000 has been identified as slow moving and a £15,000 non cash provision has been made against this for potential obsolescence. The directors believe that the unprovided stock will be either sold or used for spares and maintenance. The stock provision will be monitored and updated regularly.

3. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision-making. PHSC plc's operating segments are by subsidiary company as the directors and management team receive and make decisions based on monthly management accounts by subsidiary. A description of each subsidiary's activities is included in the strategic report on pages 3 to 11.

The following table shows the Group's revenue and results for the year under review analysed by operating segment. Segment operating profit represents the trading profit after depreciation, but before tax and management charges. The management charges represent Group overheads and are reflected in the operating loss of the parent company. All revenue arose in the UK and all assets are located in the UK. There is an element of liabilities that derive from foreign currency due to some of the subsidiaries sourcing goods overseas.

	Revenue £'000	Depreciation £'000	Operating profit/(loss) £'000	Net interest £'000	Profit/(loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Release contingent consideration £'000	Goodwill impairment £'000	Loss after tax £'000
As at 31 March 2018										
Security division										
B to B	2,777	7	78	–	78	–	–	–	–	–
SG	1,449	2	(96)	–	(96)	–	–	–	–	–
	4,226	9	(18)	–	(96)	–	–	–	–	–
Health and safety division										
ISL	216	1	46	–	46	–	–	–	–	–
PHSCL	616	2	240	–	240	–	–	–	–	–
QLM	439	2	112	–	112	–	–	–	–	–
RSA	370	1	75	–	75	–	–	–	–	–
	1,641	6	473	–	473	–	–	–	–	–
Quality systems division – QCS	768	2	285	–	285	(16)	(1)	–	–	–
Discontinued operations – ALS	378	5	(163)	(2)	(165)	–	2	–	–	–
Holding company – PHSC plc	–	13	(519)	(2)	(521)	–	–	–	–	–
Total	**7,013**	**35**	**58**	**(4)**	**54**	**(16)**	**1**	**–**	**(200)**	**(161)**

	Revenue £'000	Depreciation £'000	Operating profit/(loss) £'000	Net interest £'000	Profit/(loss) before tax £'000	Taxation £'000	Deferred taxation £'000	Release contingent consideration £'000	Goodwill impairment £'000	Loss after tax £'000
As at 31 March 2017										
Security division										
B to B	2,595	9	52	–	52	–	22	–	–	–
SG	1,414	2	(113)	–	(113)	3	1	–	–	–
	4,009	11	(61)	–	(61)	3	23	–	–	–
Health and safety division										
ISL	228	–	44	–	44	–	–	–	–	–
PHSCL	667	7	219	–	219	–	36	–	–	–
QLM	437	2	74	–	74	–	–	–	–	–
RSA	374	1	65	–	65	–	–	–	–	–
	1,706	10	402	–	402	–	36	–	–	–
Quality systems division – QCS	624	1	211	–	211	–	–	–	–	–
Discontinued operations – ALS	823	7	(194)	(1)	(195)	–	1	–	–	–
Holding company – PHSC plc	–	15	(501)	(1)	(502)	–	(34)	50	(625)	–
Total	**7,162**	**44**	**(143)**	**(2)**	**(145)**	**3**	**26**	**50**	**(625)**	**(691)**

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

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 2018								
Security division								
B to B	4	268	965	1,233	462	–	462	771
SG	1	7	148	155	188	–	188	(33)
	5	275	1,113	1,388	650	–	650	738
Health and safety division								
ISL	2	1	176	177	97	–	97	80
PHSCL	4	7	773	780	45	1	46	734
QLM	1	6	303	309	90	1	91	218
RSA	1	461	202	663	49	–	49	614
	8	475	1,454	1,929	281	2	283	1,646
Quality systems division – QCS	7	8	669	677	129	1	130	547
Discontinued operations – ALS	–	–	85	85	8	–	8	77
Holding company – PHSC plc	–	4,660	(1,074)	3,586	85	44	129	3,457
Total	20	5,418	2,247	7,665	1,153	47	1,200	6,465

Adjustment of goodwill on consolidation including goodwill amortisation write back under IFRS and goodwill impairment	(1,170)
Deferred tax adjustment to property revaluation	(8)
Net assets	5,287

3. SEGMENTAL REPORTING – continued

	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 2017								
Security division								
B to B	1	273	902	1,175	343	–	343	832
SG	–	8	199	207	130	–	130	77
	1	281	1,101	1,382	473	–	473	909
Health and safety division								
ISL	–	1	163	164	109	–	109	55
PHSCL	–	6	857	863	40	1	41	822
QLM	–	7	256	263	120	1	121	142
RSA	1	419	174	593	49	–	49	544
	1	433	1,450	1,883	318	2	320	1,563
Quality systems division – QCS	–	3	417	420	88	–	88	332
Discontinued operation – ALS	–	20	344	364	82	3	85	279
Holding company – PHSC plc	–	5,125	(1,170)	3,955	128	44	172	3,783
Total	2	5,862	2,142	8,004	1,089	49	1,138	6,866

Adjustment of goodwill on consolidation including goodwill amortisation write back under IFRS and goodwill impairment	(1,336)
Deferred tax adjustment to property revaluation	(9)
Net assets	5,521

PHSC plc company accounts reflects the overdraft in current liabilities. In the Group's consolidated accounts and segmental analysis, the overdraft is reflected as part of Group facility shown under current assets.

Revenues from one customer within the B to B business segment totalled £1,518,490 (2017 – £1,491,685) as this represented more than 10% of its total revenue.

4. AUDITOR REMUNERATION

	31.3.18 £	31.3.17 £
Audit		
Fees payable to the company's auditor for the audit of the annual parent company and consolidated accounts	**6,910**	7,195
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	**25,500**	28,865
Total audit	**32,410**	36,060
Tax		
Tax compliance services	**10,560**	10,255
Tax advisory services	**2,700**	2,700
Total tax	**13,260**	12,955
Total	**45,670**	49,015

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Motor vehicles £	Totals £
COST					
At 1 April 2016	712,000	32,299	270,666	39,643	1,054,608
Additions	–	–	11,095	15,125	26,220
Disposals	–	–	–	(7,363)	(7,363)
At 31 March 2017	712,000	32,299	290,348	30,910	1,065,557
Additions	–	2,010	17,348	–	19,358
Disposals	–	–	(145,944)	(4,665)	(150,609)
At 31 March 2018	712,000	34,309	161,752	26,245	934,306
DEPRECIATION					
At 1 April 2016	148,191	26,380	212,050	20,933	407,554
Charge for year	16,483	2,399	19,517	5,690	44,089
Disposals	–	–	(453)	(11,857)	(12,310)
At 31 March 2017	164,674	28,779	231,114	14,766	439,333
Charge for year	11,653	285	18,750	3,902	34,590
Disposals	–	–	(130,398)	(3,562)	(133,960)
At 31 March 2018	176,327	29,064	119,466	15,106	339,963
NET BOOK VALUE					
At 31 March 2018	535,673	5,245	42,286	11,139	594,343
At 31 March 2017	547,326	3,520	59,234	16,144	626,224
At 31 March 2016	563,809	5,919	79,145	26,472	675,345

Depreciation expenses of £34,590 (2017: £44,089) are included in administrative expenses in the statement of comprehensive income.

Lease rentals amounting to £106,168 (2017: £132,369), relating to the lease of buildings and motor vehicles are included in the statement of comprehensive income.

6. GOODWILL

	Goodwill £
COST	
At 1 April 2016 and 2017	5,514,547
Additions	–
At 31 March 2018	5,514,547
IMPAIRMENT	
At 1 April 2016	1,010,893
Impairment	625,191
At 31 March 2017	1,636,084
Impairment	200,000
At 31 March 2018	1,436,084
NET BOOK VALUE	
At 31 March 2018	**3,678,463**
At 31 March 2017	**3,878,463**
At 31 March 2016	**4,503,654**

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:

	31.3.18 £	31.3.17 £
Personnel Health & Safety Consultants Limited and dormant subsidiaries	**594,952**	594,952
RSA Environmental Health Limited	**601,644**	601,644
Adamson's Laboratory Services Limited	**–**	–
Inspection Services (UK) Limited	**205,207**	205,207
Quality Leisure Management Limited	**582,844**	582,844
QCS International Limited	**417,638**	417,638
B to B Links Limited	**939,066**	1,139,066
SG Systems (UK) Limited	**337,112**	337,112
Total goodwill for Group	**3,678,463**	3,878,463

When considering impairment, the directors have taken the cash flow forecast prepared to 31 March 2019 and used the expected cash flows for that year in perpetuity as the cash flows generated are expected to continue for the foreseeable future.The 2019 forecasts have been prepared using a range of growth assumptions compared to the results for 2018. Revenue growth ranges from 0%-8% and gross margin growth of between 0 to 7 percentage points for the cash generating units.

Zero growth rates, and zero margin improvement have been adopted in the perpetuity calculations for all cash generating units.

6. GOODWILL – continued

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%. The rate has been determined by calculating the Group's weighted average cost of capital (WACC) of 4% using the capital asset pricing model with a 7% risk factor added.

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

	Margin in carrying value £	Annual cash flow at which impairment required £	Discount at which impairment required %
Personnel Health & Safety Consultants Limited and dormant subsidiaries	1,925,775	65,445	47
RSA Environmental Health Limited	103,427	63,963	13
Inspection Services (UK) Limited	205,611	22,573	22
Quality Leisure Management Limited	283,792	64,113	16
QCS International Limited	1,553,226	45,954	52
B to B Links Limited	(194,243)	125,297	9
SG Systems (UK) Limited	154,392	37,082	16

The impairment review undertaken by the directors identified that the value-in-use of the B to B cash generating unit was less than its carrying value and thus impairment was required. An impairment charge of £200,000 has been provided on the basis that the remaining goodwill could be supported by the value-in-use calculation. If forecast revenues in B to B were to fall by 1%, then a further impairment of £90,000 would be required.

7. TRADE AND OTHER RECEIVABLES

	31.3.18	31.3.17
	£	£
Trade receivables	**1,456,141**	1,298,804
Less provision for impairment of trade receivables	**(1,000)**	(21,982)
Trade receivables – net	**1,455,141**	1,276,822
Other debtors, prepayments and accrued income	**113,484**	170,671
Total	**1,568,625**	1,447,493

At 31 March 2018 there were £1,000 impaired trade receivables (2017: £21,892).

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

	31.3.18	31.3.17
	£	£
Up to 3 months	**558,290**	519,939
3 – 6 months	**84,496**	74,231
Over 6 months	**58,855**	49,690
	701,641	643,860

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

	31.3.18	31.3.17
	£	£
At 1 April	**21,982**	15,322
Provision for receivables impairment	**–**	57,856
Release of provision	**(20,982)**	(51,196)
At 31 March	**1,000**	21,982

The creation and release of the provision for impaired receivables is included in administrative expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The provision and subsequent write off of debts for the year ended 31 March 2017, was unusually high due to B to B incurring a bad debt of around £40,000 after a client went into administration.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the year-end is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

8. INVENTORIES

	31.3.18 £	31.3.17 £
Stocks	**389,034**	487,367

£45,000 of inventory was written down in the current year (2017 – £nil). The value of inventory consumed and recognised as an expense was £1,973,806 (2017 – £1,837,192).

9. CASH AND CASH EQUIVALENTS

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

	31.3.18 £	31.3.17 £
Cash at bank and in hand	**244,290**	206,719

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

10. CALLED UP SHARE CAPITAL

	Number of shares (Nominal value of 10p)	**Ordinary shares £**	**Share premium £**	**Total £**
Called up, allotted and fully paid				
At 1 April 2016	13,086,348	1,308,634	1,751,358	3,059,992
Shares issued	1,590,909	159,092	164,659	323,751
At 31 March 2017 and 2018	14,677,257	1,467,726	1,916,017	3,383,743

11. TRADE AND OTHER PAYABLES

	31.3.18 £	31.3.17 £
Trade payables	**515,004**	415,321
Social security and other taxes	**270,197**	267,100
Other payables	**11,655**	58,615
Accruals	**99,178**	97,815
Deferred income	**241,060**	225,507
Total	**1,137,094**	1,064,358

12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. During the year HSBC plc renewed the Group's £300,000 overdraft facility which is secured by a debenture including a fixed charge over certain present freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future. The overdraft is next reviewed in October 2018.

13. CONTINGENT CONSIDERATION

	Current £	Non-current £	Total £
At 1 April 2016	–	75,000	75,000
Transfer from non–current to current	75,000	(75,000)	–
Fair value movement on contingent consideration	(50,000)	–	(50,000)
At 31 March 2017	25,000	–	25,000
Paid during year	(25,000)	–	(25,000)
At 31 March 2018	–	–	–

Under the SG sale and purchase agreement, a final payment became due on 11 December 2017, the second anniversary of the acquisition date, determined by a formula that relates to performance over the two years post acquisition. A payment of £25,000 was made in accordance with the provision.

14. DEFERRED TAX

Deferred tax asset	Tax losses carried forward £	Accelerated capital allowances £	Other short term timing differences £	Total £
At 1 April 2016	–	–	497	497
Credited to income statement	21,617	–	(421)	21,196
At 31 March 2017	21,617	–	76	21,693
Credited/(debited) to income statement	(613)	–	25	(588)
At 31 March 2018	21,004	–	101	21,105

Deferred tax liabilities	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 2016	43,436	14,162	5,157	62,755
Credited to income statement	(248)	(4,707)	–	(4,955)
At 31 March 2017	43,188	9,455	5,157	57,800
Credited to income statement	–	(1,982)	–	(1,982)
At 31 March 2018	43,188	7,473	5,157	55,818

Deferred tax has been provided on the revalued fixed assets at 19% (2017: 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 2018

15. EXPENSES BY NATURE

	31.3.18 £	31.3.17 £
Cost of sales	**3,034,011**	2,793,955
Staff related costs	**2,533,300**	2,900,612
Premises costs	**125,181**	162,671
Professional fees	**375,697**	452,182
Operating lease expenses	**106,168**	132,369
Other expenses	**760,593**	865,926
Goodwill impairment	**200,000**	625,191
Total cost of sales and administrative expenses	**7,134,950**	7,932,906

16. EMPLOYEES

Staff costs (including executive directors)

	31.3.18 £	31.3.17 £
Wages and salaries	**2,214,768**	2,557,308
Social security costs	**218,135**	247,605
Other pension costs	**62,266**	59,208
	2,495,169	2,864,121

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

	31.3.18	31.3.17
Directors	**9**	9
Consultants	**27**	38
Administrative	**36**	41
Total	**72**	88

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:

	31.3.18 £	31.3.17 £
Short-term employee benefits	**507,069**	544,655
Post-employment benefits	**47,046**	57,539
Total	**554,115**	602,194

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

17. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.18 £	31.3.17 £
Emoluments	**183,970**	190,148
Pension contributions to money purchase schemes	**16,310**	15,638
	200,280	205,786

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

	Year ended 31.3.18 Short term employee benefits Salary £	Bonus £	Waiver £	Pension salary Sacrifice £	Benefits £	Post employment benefits Pension £	Total £	Year ended 31.3.17 Total £
S A King	**90,000**	**1,477**	**(4,810)**	**(3,600)**	**1,976**	**7,680**	**92,723**	95,251
N C Coote	**70,000**	**1,477**	**–**	**(5,400)**	**7,804**	**8,630**	**82,511**	82,535

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

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

	Year ended 31.3.18 £	Year ended 31.3.17 £
G N Webb	**14,000**	14,000
L C Young	**14,000**	14,000

18. FINANCE INCOME AND COSTS

	31.3.18 £	31.3.17 £
Finance income		
Interest received	**3**	471
Interest expense		
Bank interest	**66**	–
Loan interest	**608**	–
Other interest	**3,104**	2,117
	3,778	2,117
Net finance charge	**3,775**	1,646

19. TAXATION

Analysis of tax charge in year

	31.3.18 £	31.3.17 £
Current tax:		
UK corporation tax on profits in the year	**24,230**	–
Adjustments in respect of previous year	**–**	(3,344)
Total current tax charge/(credit)	**24,230**	(3,344)
Deferred tax on origination and reversal of timing differences (provided at 19%)	**(2,189)**	(24,171)
Adjustment in respect of previous years	**795**	(1,980)
Taxation charge/(credit)	**22,836**	(29,495)

Factors affecting tax charge for year

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 19% (2017: 20%) and the tax expense actually recognised in the income statement can be reconciled as follows:

	31.3.18 £	31.3.17 £
Loss on ordinary activities before tax	**(145,861)**	(720,693)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	**(27,714)**	(144,138)
Effects of:		
Expenses not deductible for tax purposes	**39,487**	115,398
Depreciation on ineligible assets	**2,268**	3,297
Adjustment of deferred tax to standard rate of 20%	**795**	1,272
Adjustments in respect of prior periods	**–**	(5,324)
Total tax charge/(credit)	**14,836**	(29,495)

The UK government has legislated to maintain the main rate of corporation tax at 19% for the years commencing 1 April 2018 and 2019 and then to reduce it to 18% from 1 April 2020.This will affect future tax charges.

20. EARNINGS PER SHARE

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

	31.3.18	31.3.17
Loss attributable to equity holders of the Group (£)	**(160,697)**	(691,198)
Weighted average number of ordinary shares in issue	**14,677,257**	14,062,687
Basic earnings per share (pence per share)	**(1.09p)**	(4.92p)

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

21. DIVIDENDS

An interim dividend of £73,386 representing 0.5p per ordinary share was paid in February 2018 in respect of the year ended 31 March 2018. The board is proposing a final dividend of 0.5p per share payable on 12 October 2018 to shareholders on the register on 28 September 2018, making a total dividend for the year of 1.0p. No dividend was paid in respect of the year ended 31 March 2017.

22. COMMITMENTS

Operating lease commitments

The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms and renewal rights. The Group also leases various motor vehicles under cancellable operating lease agreements. The lease expenditure is charged the statement of comprehensive income during the year.

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

	31.03.18		31.03.17	
	Land and building £	**Motor vehicles £**	Land and buildings £	Motor vehicles £
Within one year	**27,267**	**17,231**	30,167	43,579
Between two and five years	**–**	**8,171**	38,000	20,021
Total	**27,267**	**25,402**	68,167	63,600

The Group had no capital commitments at the year end.

23. RELATED PARTY DISCLOSURES

	31.3.18 £	31.3.17 £
PHSC plc dividends were paid to directors as follows:		
S A King	**15,950**	38,584
N C Coote	**15,722**	43,453
G N Webb MBE	**97**	293
	31,769	82,330

24. ULTIMATE CONTROLLING PARTY

PHSC plc, incorporated in the England and Wales, is the ultimate parent company of the Group. There is no ultimate controlling party, but the largest shareholder, Mr S A King, holds 21.73% (2017: Ms N C Coote 21.42%) of the issued share capital of PHSC plc.

25. GOODWILL IMPAIRMENT AND CONTINGENT CONSIDERATION

The exceptional cost of £200,000 relates to the impairment of PHSC plc's investment in B to B. As stated in the strategic report, the continued decline of the high street and the general uncertainty over Brexit has led to reduced opportunities and general pressure on gross margins in the security sector. The impairment review undertaken by the directors identified that the value-in-use of the B to B cash generating unit was less than its carrying value and thus impairment was required. The remaining goodwill of £939,066 remains on the basis that it can be supported by the value-in-use calculations.

Under the SG sale and purchase agreement, a final payment became due on 11 December 2017, the second anniversary of the acquisition date, determined by a formula that related to performance over the two years post acquisition. A payment of £25,000 was made in accordance with the provision.

26. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.18	31.3.17
	£	£
Financial assets at amortised cost		
Trade and other receivables	**1,491,433**	1,286,854
Cash and cash equivalents	**244,290**	206,719
	1,735,723	1,493,573
Financial liabilities at amortised cost		
Trade and other payables	**625,837**	571,751
	625,837	571,751
Due within 1 year	**625,837**	571,751
Due in over 1 year		-
	625,837	571,751

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

Financial liabilities at fair value through profit and loss		
Contingent consideration	**–**	25,000
	–	25,000

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

27. REVENUE

Set out below is a breakdown of revenue:

	31.3.18 £	31.3.17 £
Revenue from services provided	**2,786,523**	3,152,927
Revenue from sale of products	**4,226,341**	4,009,372
	7,012,864	7,162,299

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

28. STATEMENT OF CASHFLOWS FROM DISCONTINUED OPERATIONS

	31.3.18 £	31.3.17 £
Cash flows (used by)/from operating activities:		
Cash (used by)/generated from operations	**(169,894)**	45,853
Tax paid	**–**	-
Net cash (used by)/generated from operating activities	**(169,894)**	45,853
Cash flows from investing activities		
Disposal of goodwill	**41,081**	
Disposal of plant and equipment	**14,899**	-
Net cash from investing activities	**55,980**	-
Cash flows used in financing activities		
Interest paid	**(1,367)**	(930)
Dividends paid to Group shareholders	**–**	(350,000)
Net cash used in financing activities	**(1,367)**	(350,930)
Net decrease in cash and cash equivalents	**(115,281)**	(305,077)
Cash and cash equivalents at beginning of year	**161,944**	467,021
Cash and cash equivalents at end of year	**46,663**	161,944

PHSC plc

COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

Registered number: 4121793

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

	Note	31.3.18 £	31.3.17 £
Non-Current Assets			
Property, plant and equipment	9	**542,008**	554,712
Investments	10	**4,118,206**	4,569,931
		4,660,214	5,124,643
Current Assets			
Trade and other receivables	11	**808,356**	1,014,582
		808,356	1,014,582
Total Assets		**5,468,570**	6,139,225
Current Liabilities			
Trade and other payables	12	**273,918**	290,010
Overdraft	13	**1,105,005**	1,197,758
Current corporation tax		**–**	-
Contingent consideration	14	**–**	25,000
		1,378,923	1,512,768
Non-Current Liabilities			
Deferred taxation	15	**44,286**	44,453
		44,286	44,453
Total Liabilities		**1,423,209**	1,557,221
Net Assets		**4,045,361**	4,582,004
Capital and reserves attributable to equity holders of the Group			
Called up share capital	16	**1,467,726**	1,467,726
Share premium account	16	**1,916,017**	1,916,017
Capital redemption reserve		**143,628**	143,628
Merger relief reserve		**133,836**	133,836
Revaluation reserve		**43,373**	43,373
Retained earnings		**340,781**	877,424
		4,045,361	4,582,004

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 £463,244 (2017: profit £137,483).

Approved and authorised for issue by the board on 13 August 2018 and signed on its behalf by;

S A King *Director*

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

	Share Capital £	Share Premium £	Merger relief reserve £	Capital Redemption Reserve £	Revaluation reserve £	Retained Earnings £	Total £
Balance at 1 April 2016	1,308,634	1,751,358	133,836	143,628	43,373	936,236	4,317,065
Profit for year attributable to equity holders	–	–	–	–	–	137,483	137,483
Issue of shares	159,092	164,659	–	–	–		323,751
Dividends paid	–	–	–	–	–	(196,295)	(196,295)
Balance at 31 March 2017	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**43,373**	**877,424**	**4,582,004**
Balance at 1 April 2017	1,467,726	1,916,017	133,836	143,628	43,373	877,424	4,582,004
Loss for year attributable to equity holders	–	–	–	–	–	(463,257)	(463,257)
Dividends paid	–	–	–	–	–	(73,386)	(73,386)
Balance at 31 March 2018	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**43,373**	**340,781**	**4,045,361**

PHSC plc

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	Note	31.3.18 £	31.3.17 £
Cash flows generated from/(used by) operating activities:			
Cash generated from/(used by) operations	I	**193,550**	(232,630)
Tax paid		**–**	(9,115)
Interest paid		**(2,411)**	(1,187)
Net cash generated from/(used by) operating activities		**191,139**	(242,932)
Cash flows from investing activities			
Purchase of property, plant and equipment		**–**	(132,003)
Dividends from subsidiary companies		**–**	605,000
Interest received		**–**	141
Net cash from/(used by) investing activities		**–**	473,138
Cash flows used by financing activities			
Payment of contingent consideration		**(25,000)**	(200,000)
Proceeds from placement of shares		**–**	323,751
Dividends paid to Group shareholders		**(73,386)**	(196,295)
Net cash used by financing activities		**(98,386)**	(72,544)
Net decrease in overdraft		**92,753**	157,662
Cash and cash equivalents at beginning of year		**(1,197,758)**	(1,355,420)
Overdraft at end of year		**(1,105,005)**	(1,197,758)

NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

	31.3.18 £	31.3.17 £
I. CASH USED BY OPERATIONS		
Loss before taxation and interest	**(461,013)**	(432,260)
Depreciation charge	**12,704**	15,342
Impairment of investment	**451,725**	508,466
Fair value movement in contingent consideration	**–**	(50,000)
Decrease/(increase) in trade and other receivables	**206,226**	(216,068)
Decrease in trade and other payables	**(16,092)**	(58,110)
Cash generated from/(used by) operations	**193,550**	(232,630)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

1. BASIS OF PREPARATION

The company's financial statements have been prepared in accordance with IFRSs, as adopted by the European Union, International Financial Reporting Intermediate Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention except as noted below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 19.

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The loss for the year before dividends received from subsidiaries (2018 – nil; 2017 – £605,000) was £463,244 (2017 – £467,517). There were no recognised gains and losses for 2018 or 2017 other than those included in the company statement of comprehensive income. As at 31 March 2018 the company had net assets of £4,045,361 (2017: £4,582,004).

The financial statements have been prepared on a going concern basis. Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate as the company has adequate resources to continue in operational existence for the foreseeable future based upon forecasts.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors have assessed the potential impact of IFRS 15 (revenue recognition) and IFRS 16 (measurement and treatment of operating leases) but consider that the impact will not be material on the company's financial statements in future periods. The company does not have any operating leases and income only relates to management charges and dividends received.

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.

2. ACCOUNTING POLICIES – continued

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of non-current assets, less their estimated residual value, over the shorter of the expected useful life or lease term, on the following bases:

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

Investments

Investments in subsidiary undertakings are stated at cost less amounts provided for any impairment in value. An impairment review is carried out each year.

Impairment of tangible and intangible assets

An impairment loss is recognised for the amount by which the investments carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. Impairment losses are charged to administrative expenses.

Taxation

Current income tax assets/liabilities comprise those claims from or obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Provisions

These are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

2. ACCOUNTING POLICIES – continued

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The proceeds of share issues, received net of any directly attributable transactions costs are credited to share capital at nominal value and the excess credited to the share premium account. The capital redemption reserve arose when the company repurchased some of its own shares. At that point the nominal value of those shares was transferred to the capital redemption reserve.

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

Dividends

Dividends received from subsidiary companies are recognised at the point that the right to receive the dividend has been established.

3. REVENUE

The revenue of the company during the year was generated in the United Kingdom and derives from the management charge levied to the subsidiary companies.

4. LOSS BEFORE TAXATION

The profit before taxation is stated after charging:

	31.3.18	31.3.17
	£	£
Depreciation – owned assets	**12,704**	15,342

5. DIRECTORS' REMUNERATION

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

6. STAFF COSTS

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

	31.3.18	31.3.17
Directors	**4**	4
Consultants	**2**	2
Administration	**3**	3
	9	9

	£	£
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**278,888**	268,725
Social security costs	**25,082**	23,740
Other pension costs	**19,104**	17,726
	323,074	310,191

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

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

7. AUDITOR'S REMUNERATION

Full details are given on page 34 of the Group accounts.

8. FINANCE INCOME AND COSTS

	31.3.18 £	31.3.17 £
Finance income		
Interest received	–	141
Interest expense		
Bank interest	(66)	–
Other interest	(2,345)	(1,187)
Net finance cost	(2,411)	(1,046)

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
COST OR VALUATION				
At 1 April 2016	262,730	23,978	13,103	299,911
Transfer from subsidiary	319,908	–	–	319,908
At 31 March 2017	582,638	23,978	13,103	619,719
Transfer from subsidiary	–	–	–	–
At 31 March 2018	582,638	23,978	13,103	619,719
DEPRECIATION				
At 1 April 2016	23,659	18,062	7,944	49,665
Charge for the year	11,653	2,399	1,290	15,342
At 31 March 2017	35,312	20,461	9,234	65,007
Charge for year	11,653	84	967	12,704
At 31 March 2018	46,965	20,545	10,201	77,711
NET BOOK VALUE				
At 31 March 2018	535,673	3,433	2,902	542,008
At 31 March 2017	547,326	3,517	3,869	554,712
At 31 March 2016	239,071	5,916	5,159	250,146

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.18 £	31.3.17 £
At 1 April 2017	**4,569,931**	5,078,397
Impairment of investment in B to B	**(220,000)**	–
Impairment of investment in SG	**(120,000)**	–
Impairment of investment in ALS.	**(111,725)**	(508,466)
At 31 March 2018	**4,118,206**	4,569,931

The decision was taken during the year to discontinue the trading operations of ALS. The remaining investment value of £111,725 pertaining to this subsidiary was written off at the year end.

As stated in the strategic report, the continued decline of the high street and the general uncertainty over Brexit has led to reduced opportunities and general pressure on gross margins in the security sector. The impairment review undertaken by the directors identified that the value-in-use of both the B to B and SG investments were compromised and thus impairment of the respective investments were required. The investment values have been reduced by £220,000 and £120,000 to new carrying values of £1,150,724 and £482,964 respectively.

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
Adamson's Laboratory Services Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
B to B Links Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Camerascan CCTV Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Envex Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
In House The Hygiene Management Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Inspection Services (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Personnel Health & Safety Consultants Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Quality Leisure Management Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
QCS International Limited	Ordinary	100%	9 Cumbernauld Business Park, Cumbernauld, North Lanarkshire, Scotland G6 3JZ
RSA Environmental Health Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Safetymark Certification Services Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
SG Systems (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

11. TRADE AND OTHER RECEIVABLES

	31.3.18 £	31.3.17 £
Amount owed by subsidiary undertakings	**778,373**	987,148
Prepayments	**29,983**	27,434
	808,356	1,014,582

12. TRADE AND OTHER PAYABLES

	31.3.18 £	31.3.17 £
Trade payables	**27,340**	24,712
Amount owed to subsidiary undertakings	**189,050**	187,905
Social security and other taxes	**36,036**	31,172
Other payables	**1,098**	31,144
Accruals	**20,394**	15,077
	273,918	290,010

13. OVERDRAFT

	31.3.18 £	31.3.17 £
Bank overdraft	**1,105,005**	1,197,758

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC plc. Each company within the Group operates its own current account, the balance on which is allowed to fluctuate according to trading conditions. Interest is only charged on a net overdrawn balance as the Group has the right to offset overdrawn accounts with accounts in credit across the Group. During the year HSBC plc renewed the Group's £300,000 overdraft facility 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. On 31 March 2018, PHSC plc's company balance was £1,105,005 overdrawn (2017: £1,197,758 overdrawn) within the Group's cash at bank and in hand figure of £244,280 (2017: £206,719). The overdraft facility is reviewed subject to requirement.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

14. DEFERRED AND CONTINGENT CONSIDERATION

Deferred consideration	Current £	Non-current £	Total £
At 1 April 2016	200,000	–	200,000
Paid during year	(200,000)	–	(200,000)
At 31 March 2017	–	–	–

Contingent consideration	Current £	Non-current £	Total £
At 1 April 2016	–	75,000	75,000
Transfer from non-current to current	75,000	(75,000)	–
Fair value movement on contingent consideration	(50,000)	–	(50,000)
At 31 March 2017	25,000	–	25,000
Paid during year	(25,000)	–	(25,000)
At 31 March 2018	–	–	–

Under the SG sale and purchase agreement, a final payment became due on 11 December 2017, the second anniversary of the acquisition date, determined by a formula that related to performance over the two years post acquisition.

15. DEFERRED TAXATION

	31.3.18 £	31.3.17 £
Deferred taxation – accelerated capital allowances	**44,286**	44,453

	Deferred tax £	Deferred tax £
At 1 April 2017	**44,453**	10,018
Deferred tax (debit)/credit in year	**(167)**	34,435
At 31 March 2018	**44,286**	44,453

16. SHARE CAPITAL

Called up, allotted and fully paid	Number of shares (Nominal value 10p per share)	Ordinary shares £	Share premium £	Total £
At 1 April 2016	13,086,348	1,308,634	1,751,358	3,059,992
Shares issued	1,590,909	159,092	164,659	323,751
At 31 March 2017 and 2018	14,677,257	1,467,726	1,916,017	3,383,743

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 March 2018

17. RELATED PARTY DISCLOSURES

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

	31.3.18 £	31.3.17 £
Management charge from PHSC plc to subsidiary companies	**510,000**	527,300

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

	31.3.18 £	31.3.17 £
Amounts owed by group undertakings		
Adamson's Laboratory Services Limited	**–**	31,104
B to B Links Limited	**54,492**	54,937
In House the Hygiene Company Limited	**469,304**	469,304
Inspection Services (UK) Limited	**435**	1,070
Personnel Health & Safety Consultants Limited	**–**	188,713
QCS International Limited	**2,649**	5,759
Quality Leisure Management Limited	**6,712**	1,737
RSA Environmental Health Limited	**410**	819
SG Systems (UK) Limited	**14,670**	4,004
Camerascan CCTV Limited	**229,701**	229,701
	778,373	987,148
Amounts owed to group undertakings		
Adamson's Laboratory Services Limited	**454**	-
Personnel Health & Safety Consultants Limited	**188,596**	-
	189,050	-
PHSC plc received dividends from subsidiaries as follows:		
Adamson's Laboratory Services Limited	**–**	350,000
Inspection Services (UK) Limited	**–**	15,000
Personnel Health & Safety Consultants Limited	**–**	100,000
QCS International Limited	**–**	100,000
Quality Leisure Management Limited	**–**	20,000
RSA Environmental Health Limited	**–**	20,000
	–	605,000
PHSC plc dividends were paid to directors as follows:		
S A King	**15,950**	38,584
N C Coote	**15,722**	43,453
G N Webb MBE	**97**	293
	31,769	82,330

18. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

	31.3.18 £	31.3.17 £
Financial assets at amortised cost		
Trade and other receivables	**778,373**	987,148
	778,373	987,148
Financial liabilities at amortised cost		
Overdraft	**1,105,005**	1,197,758
Trade and other payables	**237,882**	243,761
	1,342,887	1,441,519
Due within 1 year	**1,342,887**	1,441,519
Due in over 1 year	**–**	-
	1,342,887	1,441,519

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

Financial liabilities at fair value through profit and loss		
Contingent consideration	**–**	25,000
	–	25,000

The contingent consideration held at fair value through profit and loss is the final payment due on the acquisition of SG.

The main risk arising from the company's financial instruments is liquidity risk.The company seeks to manage this risk by ensuring sufficient liquidity is available from current banking facilities to meet foreseeable needs and to invest cash assets safely and profitably.This policy has remained unchanged from previous periods.

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

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company may be required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The principal areas where judgement was exercised are as follows:

Property, plant and equipment

The directors annually assess both the residual value of these assets and the expected useful life of such assets which is currently judged to be up to 4 years, based on experience.

Impairment of investments

An impairment of investments has the potential to significantly impact upon the company's statement of comprehensive income for the year. In order to determine whether impairments are required the directors estimate the recoverable amount of the investment. This calculation is based on the director's expectations of future volumes and margins based on forecast results to 31 March 2019 in perpetuity assuming a zero growth rate.

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%. The rate has been determined by calculating the Group's weighted average cost of capital (WACC) of 4% using the capital asset pricing model model with a 7% risk factor added.

20. PARENT UNDERTAKING

PHSC plc, incorporated in the UK, is the ultimate parent company of the Group. There is no ultimate controlling party but the largest shareholder, Mr S A King owns 21.73% (2017 – Ms N C Coote 21.42%) of the issued share capital of PHSC plc.

The parent company operates within the UK and its accounts may be obtained from the same registered office address as noted on page 2 of the Group accounts.

PHSC plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of PHSC plc ("PHSC" or "the Company") will be held at 10am on Monday 24 September 2018 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR to consider the following resolutions of which resolutions 1 to 5 will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions.

1 To receive the annual report and audited accounts for the year ended 31 March 2018.

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

3. To re-elect Stephen King as a director.

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

5 THAT, in substitution for any existing such authority, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the company to allot shares in the company or to grant rights to subscribe for, or to convert any security into, shares in the company up to a total nominal amount of £489,242 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the annual general meeting in 2019 or on 30 September 2019, whichever is earlier, but so that the authority shall allow the company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, rights to be granted or securities to be converted after such expiry and notwithstanding such expiry the directors may allot shares, grant rights or convert securities under such offers or agreements.

Special resolution

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

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

(b) the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale and transfer of shares held by the company in treasury (as the directors shall deem appropriate) to any person or persons up to an aggregate nominal amount of £293,545

such power to expire at the conclusion of the annual general meeting of the company in 2019 or, if earlier, on 30 September 2019, unless such power is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

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

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

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

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

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

   (e) the authority conferred by this resolution shall expire at the conclusion of the annual general meeting of the company in 2019 or, if earlier, at the close of business on 30 September 2019, unless such authority is varied, revoked or renewed prior to such time by the company in general meeting by special resolution; and

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

By order of the board

Lorraine Young Company Secretaries Limited
Secretary

23 August 2018

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

Notes

1. Right to attend, speak and vote
If you want to attend, speak and vote at the AGM you must be on the Company's register of members at 6.00pm on 20 September 2018. This will allow us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

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

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

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

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

To appoint a proxy using the proxy form, the form must be completed and signed and received by the Company Secretary, PHSC plc, 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, PHSC plc 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, PHSC plc, 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 general meeting; or any related documents, to communicate with the Company for any purposes other than those expressly stated.

8. Issued shares and total voting rights
As at 5.00 pm on 10 August 2018, being the latest practicable date prior to the date of this notice, the Company's issued share capital comprised 14,677,257 ordinary shares of 10p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 14,677,257.

PHSC plc

Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (AGM) to be held on Monday 24 September 2018

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

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

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

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

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

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

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

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

Notes:

1) If you wish to appoint as a proxy someone other than the Chairman of the meeting, please delete the words "The Chairman of the meeting" and insert the name of the other person (who need not be a member of the Company). All alterations made to the proxy form must be initialled by the signatory.
2) The completion and return of the proxy form will not prevent you from attending the AGM and voting in person should you subsequently decide to do so.
3) If you wish your proxy to cast all of your votes for or against a resolution you should insert an "X" in the appropriate box. If you wish your proxy to cast only some votes for and some against insert the relevant number of shares in the appropriate box. In the absence of instructions your proxy may vote or abstain from voting as they think fit on the specified resolutions, and, unless instructed otherwise, may also vote or abstain from voting as they think fit on any other business (including on a resolution to amend a resolution, to propose a new resolution or to adjourn the meeting) which may properly come before the meeting.
4) The "Vote Withheld" option is provided so that you can instruct your proxy to abstain from voting on a particular resolution. A "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "for" or "against" a resolution. The "At Discretion" option is provided so that you can give discretion to your proxy to vote or abstain from voting on a particular resolution as they think fit.
5) The proxy form must be signed by the shareholder or their attorney. Where the shareholder is a corporation the signature must be under seal or that of a duly authorised representative. In the case of joint holders, any one may sign the form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names appear in the register of members for the joint shareholding.
6) To be valid, this proxy form and any power of attorney or other authority under which it is signed or a certified copy of such authority, must be deposited with the Company Secretary, PHSC plc, 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.