

# PHSC plc

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

# ANNUAL REPORT 2023

## Safety

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

## Systems

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

## Security

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



# PHSC plc

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*for the year ended 31 March 2023*

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# PHSC plc

## COMPANY INFORMATION

*for the year ended 31 March 2023*

<b>DIRECTORS:</b>	S A King N C Coote G N Webb MBE L E Young
<b>SECRETARY:</b>	SGH Company Secretaries Limited
<b>REGISTERED OFFICE &amp; BUSINESS ADDRESS:</b>	The Old Church 31 Rochester Road Aylesford Kent ME20 7PR
<b>REGISTERED NUMBER:</b>	4121793 (England and Wales)
<b>AUDITOR:</b>	Crowe U.K. LLP Chartered Accountants & Registered Auditor 40-46 High Street Maidstone Kent ME14 1JH
<b>SOLICITORS:</b>	Gullands 16 Mill Street Maidstone Kent ME15 6XT
<b>REGISTRARS:</b>	Neville Registrars Limited Neville House Steelpark Road Halesowen West Midlands B62 8HD
<b>NOMINATED ADVISER:</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ
<b>BROKER:</b>	Novum Securities Limited 7-10 Chandos Street London W1G 9DQ

# PHSC plc

## STRATEGIC REPORT

for the year ended 31 March 2023

### FINANCIAL HIGHLIGHTS

- Underlying EBITDA of £0.366m compared to £0.274m in the prior year
- Profit after tax of £0.243m compared to a loss after tax of £0.631m in the prior year, the latter mainly due to writing off goodwill in respect of the Security Division
- Group revenue of £3.438m, down from £3.571m in the prior year
- Group net assets increased to £3.638m from £3.513m
- Statutory earnings per share of 2.05p compared to a loss per share of 4.76p in the prior year
- Cash reserves of £0.750m at the year end up from £0.649m for the prior year
- Final dividend of 1.0p proposed, making a total of 1.5p for the year compared with 1.0p last year

	31.3.23 £	31.3.22 £
Profit/(loss) before tax	304,598	(577,798)
Less: interest received	(1,346)	(388)
Add: depreciation	63,034	58,812
Add: impairment of B2BSG Solutions Limited goodwill	–	676,178
Add: impairment of Inspection Services (UK) Limited goodwill	–	117,240
Underlying EBITDA*	<u>366,286</u>	<u>274,044</u>

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

The Company confirms that, subject to shareholder approval at its forthcoming Annual General Meeting (AGM), an increased final dividend of 1.0p will be payable on 13 October 2023 to shareholders on the register on 29 September 2023.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

### CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to report that the Group has built on the post-pandemic progress made in the prior year and has generally returned to normal trading across all subsidiaries. With the carrying value of our Security Division having been written down to zero in 2021-22, there is no impairment to report for 2022-23. Accordingly, the Group returned to profitability and the board is proposing an increased final dividend to shareholders.

The board has determined that a higher distribution is justified in conjunction with a planned third share buyback programme, which will be confirmed, and further details announced as soon as practicable following publication of this Annual Report utilising the existing authority. To maintain flexibility, the board is seeking renewed authority at the forthcoming 2023 AGM for further potential share buybacks however shareholders should not assume that such renewed authority, if granted, will necessarily be utilised.

Individual subsidiary performance is considered in some detail later in this report.

### GENERAL BUSINESS OVERVIEW AND OUTLOOK

#### Security Division

Having written off the carrying value of this part of the Group's business in 2021-22, management focussed on how best to commence a rebuilding of the division through better cost control and improved margins. This is a medium-term objective and is subject to variables outside the Company's control such as exchange rates, costs of shipping and the general economic climate as it affects the retail sector. Prior to central charges and some write-down of slow-moving stock, the business broke even over the year under review. There were increases to both revenues and costs, however profit margins remained suppressed due to the aforementioned external factors. It is anticipated that there will be some respite in that transportation costs have progressively reduced from the 2021-22 highs and the business has been able to raise prices on some contracts. The client base remains overwhelmingly centred on the retail sector and includes supermarkets, department stores and garden centres.

#### Systems Division

Results from this part of the Group's business were extremely encouraging and the division built upon the good progress made in 2021-22. Revenue was up more than £100,000, the majority of which fed through to the bottom line as evident in the more detailed financial summary later in this report.

Consultancy sales were strong throughout the year and benefitted from long-term, valuable contracts on safety support for regular clients. Sales of UK Responsible Person services in connection with the supply of medical devices were higher than anticipated due to both additional clients, and increased work from the existing client base following changes in the regulatory framework for registration.

Training delivery returned to pre-pandemic levels and the year ended with strong sales figures for both in-house and public training.

#### Safety Division

Progress was made in respect of the profitability of servicing clients in the education and leisure sectors, although higher revenues were adversely impacted by the higher costs incurred in connection with delivering our services. Additional costs were experienced throughout the division, compounded by staff salaries being increased twice during the year to mitigate against persistently high inflation rates and rising domestic energy costs.

Total revenue was markedly lower due to a large commission-only agreement in respect of COVID-19 testing during the pandemic which positively skewed the 2021-22 results.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

### **Cash reserves**

Cash at bank increased year-on-year from approximately £649,000 to £750,000 reflecting the cash generative nature of our operations. The total cost of servicing dividends, maintained at the same level, was lower, as a result of approximately 2.8 million fewer ordinary shares being in issue following the successful buyback programme implemented in the prior year. As noted above, it is proposed that, subject to shareholder approval at the forthcoming AGM, the final dividend be increased to return a greater proportion of cash to shareholders, given that the Group remains cash-generative with excess reserves for its currently foreseeable requirements.

The Group's cash position following payment of the proposed enhanced final dividend and planned further share buyback programme, should be more than sufficient for all currently anticipated expenditure. To underpin this position and provide flexibility/headroom the Group also has a currently unutilised facility with HSBC Bank plc of an initial £50,000 in the unlikely event it is required.

The Group's only borrowings relate to certain leases in respect of land and buildings and motor vehicles, further details of which are provided in note 13.

### **Net asset value**

The Group's net asset value of approximately £3.638m equates to a little over 30p per ordinary share and has remained consistently higher than the Company's market share price on AIM. The equivalent net asset value at the end of the previous year was circa 3 per cent. lower, at approximately £3.513m.

### **Outlook**

Management expectations across the Group, despite the slow start to the year based on Q1 figures, are that 2023-24 has the potential to be another successful year. Where it is practical to do so, we will seek to apply modest price increases to our fee rates in a bid to recover the majority of the extra costs we are facing. In the current environment, some areas of expenditure are almost certain to continue to rise but others including energy bills and shipping of security products appear more stable. Recruitment and retention of personnel remains challenging and represents our most significant cost category.

Each subsidiary currently appears to be on a stable footing and are well placed to continue to trade profitably and generate cash flow over the remainder of the current financial year.

### **Trading update**

Unaudited Group management accounts for Q1 of the current financial year show total revenue of approximately £0.754m and EBITDA of approximately £49,100 (Q1 2022-23: £0.862m and £0.1m respectively).

### **Dividends**

A total dividend of 1.0p per ordinary share (£124,020) was paid in respect of the financial year ended 31 March 2022. An interim dividend of 0.5p in respect of the financial year ended 31 March 2023 was paid in February 2023 (£59,190) and, subject to shareholder approval, a final dividend of 1.0p to be paid from earnings from the financial year ended 31 March 2023 is proposed to be paid in October 2023, representing an increase of 0.5p or 50 per cent. on last year's total.

### **PERFORMANCE BY TRADING SUBSIDIARY**

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

### **Total revenues**

Total revenues are reviewed each month across the Group to provide the board with a ready measure of how well the Group and its underlying businesses are performing relative to historical data. It enables any trend to be detected, interpreted and acted upon as appropriate. Consolidated Group revenues for the year decreased by approximately 3.7% but when a £400k adjustment is made to the 2021-22 turnover for a one-off contract with a single customer for COVID-19 testing services, a 7.5% increase in turnover is evident, which the board views as being a good outturn in the current challenging market conditions.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

### **Earnings before interest, taxation, depreciation and amortisation (underlying EBITDA)**

The Group's underlying EBITDA increased from £274,044 in 2021-22 to £366,286 in 2022-23.

### **Staff turnover**

Staff turnover is closely monitored as the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. During the year, 3 people left the employment of the Group and no new staff were recruited, resulting in 34 employees at the year end, excluding 7 PHSC plc and subsidiary directors.

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

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

A summary of the results and activities of our trading subsidiaries is set out below. Performance is based on those factors within a subsidiary director's control, such that results are shown exclusive of management charges and taxation and any impairment provision judged to be necessary. The parent company covers its own management costs by levying a charge on each subsidiary and derives other income through the receipt of dividends from its subsidiaries.

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

- 2023: revenues of £829,900 yielding a loss of £9,100 after a slow-moving stock write down of £9,100
- 2022: revenues of £749,200 yielding a loss of £79,200 after a slow-moving stock write down of £55,000

B2BSG ended the year with sales that were £80k higher than in 2021-22. An end of year adjustment for currency revaluation resulted in a total negative loss variance of £7.3k due to adverse exchange rates over the course of the year. Effectively, the business traded at around break-even before management charges and a £9.1k year-end stock provision. This compares very favourably with the loss sustained in the previous year.

A two-year contract with a national supermarket group, awarded before the Brexit protocol was known, came to an end in March 2023. Costs associated with this particular contract had led to an almost total elimination of gross margin. Costs were higher than anticipated due to an Irish VAT registration being required, product inflation which we were unable to recover as prices were fixed, and an escalation in transport costs. Upon its expiry, this contract was formally renegotiated and renewed for a further two years on much more favourable terms, which should facilitate the company's recovery strategy.

Another national supermarket chain is embarking on a refurbishment exercise for its security infrastructure in 2023-24, and B2BSG are in the early stages of installing equipment to assist them in carrying out their programme.

The mix of clients now has more of a bias towards food retail. Some economists are suggesting that there may be signs of recovery in bricks and mortar retail activity more generally which, if borne out, would bode well for B2BSG.

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

- 2023: revenues of £198,100 yielding a profit of £7,000
- 2022: revenues of £186,600 yielding a profit of £8,700

ISL achieved increased revenues of £198,100, being £11,500 ahead of the prior year's total sales of £186,600. The resulting profit achieved fell by £1,700 year-on-year to £7,000. The improvement in revenues was more than offset by higher costs incurred in delivering the services, most notably in terms of travel and accommodation charges, which increased by almost £3,000. Subcontractor costs rose by £2,500 and were approximately 40% higher than in 2021-22. Staff salaries were increased twice during the year to mitigate against high inflation figures and rising domestic energy costs. Such pay adjustments were necessary but resulted in around £4,000 of unplanned additional expenditure. Most of ISL's work is sourced through insurance brokers in exchange for commission payments. Broker commissions



# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

were similar to the prior year. There were no bad debts arising during the year and the company remains cashflow-positive. Overall, its client portfolio remains stable, with most work comprising repeat business.

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

- 2023: revenues of £806,700 yielding a profit of £268,300
- 2022: revenues of £1,283,100 yielding a profit of £351,000

Trading returned to more normal levels after maximising opportunities for safety and risk management brought about by the COVID-19 pandemic. PHSCL's revenue and profit were lower than the previous year but in line with management's expectations. During the year, online systems continued to be reviewed to help streamline the business and optimise the company's ability to pitch for larger contracts as well as to widen its service offering to existing clients. There has been an increasing level of interest expressed from both prospective and current customers as a result of applying a personal touch whereby customers are able to speak to a person rather than automated support. This approach will continue to be promoted whilst developing ways to enhance services with online systems that also adopt a more personal perspective. The business's main challenge at the current time is its ability to attract the right level of consultant expertise due to a general skills shortage which goes wider than PHSCL. Subject to securing the services of appropriately qualified fee-earning staff there is confidence in respect of opportunities to grow revenue.

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

- 2023: revenues of £834,600 yielding a profit of £272,100
- 2022: revenues of £724,100 yielding a profit of £189,600

Trading has returned to pre-COVID-19 levels, with consultancy sales exceeding £400,000 for the first time. There continues to be a high level of repeat business combined with income from new clients with whom long-term relationships will be sought. Income from the UK Responsible Person service for medical devices exceeded management's expectations by a considerable margin due to a mixture of new clients and increased work from the existing client base following changes in the regulatory framework for registration. Training is now back at pre-pandemic levels; the year ended with very positive sales figures for both public and in-house courses, with combined training income approaching £350,000 for the year. To meet and manage demand, the company calls upon the services of consultants employed by other Group companies as appropriate and has ambitions to grow revenues in the year ahead. Profit for the year was £272,100 (compared to £189,600 in 2021-22) which reflects a combination of improved sales and tight cost control.

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

- 2023: revenues of £402,400 yielding a profit of £137,500
- 2022: revenues of £323,600 yielding a profit of £100,900

Business started strongly in 2022 for both auditing and training as there was pent-up demand post the pandemic abating. Training requirements dropped slightly towards the latter part of the financial year though training via video conferencing remained popular. In addition to reducing staff travel time and costs recharged to clients, video conferencing affords greater accessibility to those clients only requiring a small number of participants or for those who were unable to attend the in-house delivered course.

Demand for audits remained strong, involving support for clients in verifying processes and procedures as their facilities returned to fully operational status. Both audit and training income streams were significantly up on management's expectations.

Consultancy in relation to health and safety and quality systems was a significant source of income in 2022-23 with QLM supporting clients in the development of their policies, processes, procedures and systems.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

Expert witness work was lower than in previous years as leisure facilities were closed for significant periods during the pandemic and UK courts are struggling to catch up with delays and postponements.

Cost of sales increased in proportion to income. Consultant and subcontractor salaries and fees were reflective of the higher costs of delivery as well as greater activity.

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

- 2023: revenues of £365,900 yielding a profit of £69,800
- 2022: revenues of £304,000 yielding a profit of £53,600

Annual revenue showed a 20% increase compared to 2021-22 and the company is now trading at similar levels to those experienced prior to the pandemic. The increase in sales led to profits not seen since 2018-19. The majority of income streams were above expectations, with the exception of general health and safety consultancy services but this was only because consultants' fee earning time was being utilised for the provision of other services. Food safety consultancy has seen some welcome growth over the last year.

Rather than employ additional members of staff, employees from elsewhere within the Group and trusted associates were used to provide extra fee-earning capability. Such strategy helped to keep costs under control and enabled the company to deal efficiently with the peaks and troughs in its workload.

In previous years, the company's focus has been to diversify its service offering and strengthen its presence in the markets in which it operates. These efforts have continued and resulted in a more even spread of revenues across the services provided. This will continue to be a focus to make the company more resilient.

SafetyMARK services saw revenues continue to recover. Demand for these services remains strong especially within the independent school's market. There is a high retention rate with schools demonstrating that they see value in the services RSA offers.

Training services remain strong, with a focus on school-based Institution of Occupational Safety and Health (IOSH) accredited training courses. These have proved very popular with schools and demand continues to be strong with good profits achieved.

### **PHSC plc**

- 2023: net loss of £442,300 before management charges, interest and dividends received
- 2022: net loss of £409,200 before management charges, goodwill impairment, interest and dividends received

The Company incurs costs on behalf of the Group and does not generate any income; the costs relate to running an AIM quoted Group.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

### **Pandemic**

The financial impact of the coronavirus pandemic continued to ease with business activity returning towards pre-pandemic levels. Inevitably, there are legacy impacts in particular on the high street where consumers' shopping habits have shifted towards greater on-line ordering, and this represents a concern to the Security Division where retail outlets form a significant part of its customer base. Conversely, the Systems and Safety Divisions are continuing to experience a rebound in activity as clients catch up on projects that were previously deferred or cancelled. The Group's ability to deliver services remotely as an alternative to a face-to-face offering is more appealing to some customers and this alternative continues to be offered where appropriate.

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

### **Regulatory/Marketplace**

Approximately 50% of the Group's work involves assisting organisations with the implementation of measures to meet regulatory requirements relating to health and safety at work. If the regulatory burden was to be substantially lightened, for example if the government embarked upon a programme of radical deregulation, there could be less demand for the Group's services. Changes to the operation of the employer's liability insurance system, as proposed in some quarters, could reduce the incentive for organisations to buy in claims-preventive services such as health and safety advice. In mitigation of these risks, the board has diversified the Group's range of offerings, for example, through investing in its Systems Division and continues to explore non-regulatory areas of environmental work to add to the current portfolio of services.

The Group's Security Division works almost exclusively in the retail sector, and this has continued to suffer as a result of weak consumer demand on the high street and the move towards on-line purchasing, which accelerated during the COVID-19 pandemic. Any further material deterioration in the retail sector and specifically in B2BSG's client base would have a significant negative effect on the company's and hence the Group's prospects. To mitigate any future negative effects, the Group wrote off the carrying value of its Security Division in 2021-22 in full and periodically reviews the need to make financial provision against the value of stock held in its warehouse.

### **Technological**

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

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

### **Personnel**

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

### **Geographical**

The Group offers a nationwide service, but a number of organisations see benefit in using consultancies that are local to them and internet search engines favour local providers. With offices in Kent, Berkshire, Northamptonshire and Scotland, the Group has a good geographical spread.

### **Licences**

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

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

### **Climate risk**

The board is mindful of climate risk and will continue to evaluate what potential implications the changing climate may have on both the business activities of the Group and its clients.

### **SECTION 172 STATEMENT**

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

### **The likely consequences of any decision in the long term**

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

### **The interests of the Group's employees**

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

The Group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees. A review has been conducted to identify any gender-related pay anomalies across the Group and found there to be no such anomalies.

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

The Group seeks to treat suppliers fairly and adhere to contractual payment terms. The Group works with its suppliers to help drive change through innovation, promoting new ideas and ways of working. The Group has zero-tolerance to modern slavery and is committed to acting ethically and with integrity in all business dealings and relationships. The Group's policy for Modern Slavery and Human Trafficking contains systems and controls to ensure that these activities are not taking place anywhere in the subsidiaries or throughout the Group's supply chains and can be viewed on our website ([www.phsc.plc.uk](http://www.phsc.plc.uk)).

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

# PHSC plc

## STRATEGIC REPORT *(continued)*

*for the year ended 31 March 2023*

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

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

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

The board's intention is to behave responsibly and ensure that management operates the business in a responsible manner, complying with high standards of business conduct and good governance. The Group has a long tradition of supporting local causes through sponsorship and community involvement, details of which can be found on our website. The directors are aware of the impact of the Group's business on the environment but believe this to be minimal due to the nature of its operations.

### ***GOING CONCERN***

Company law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. Cash reserves ended the year at a higher level than in 2021-22. The board is satisfied that such reserves, along with the Group's cash-generative trading position and (unused) credit facility will ensure that there are sufficient resources to continue in operational existence for the foreseeable future. The cost of the proposed enhanced final dividend is factored into the board's calculations in this regard. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the board, I must once again thank all our shareholders, employees and other stakeholders for continuing to place their trust in us and for enabling 2022-23 to be a successful year.

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

**Stephen King**

*Group Chief Executive*

7 August 2023

# PHSC plc

## REPORT OF THE DIRECTORS

*for the year ended 31 March 2023*

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2023.

### ***DIRECTORS***

The directors who held office during the year under review and up to the date of approval of the financial statements were:

SA King  
N C Coote  
G N Webb MBE  
L E Young

### ***DIVIDENDS***

A total dividend of 1.0p per ordinary share (£124,020) was paid in respect of the year ended 31 March 2022; half was paid in January 2022 and the balance in October 2022. An interim dividend of 0.5p in respect of the financial year ended 31 March 2023 was paid in February 2023 and, subject to shareholder approval at the AGM, an enhanced final dividend of 1p will be paid on 13 October 2023 to shareholders on the register of members at the close of business on 29 September 2023.

### ***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 pages 35 and 36.

### ***SHARE CAPITAL***

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

### ***DATA PROTECTION***

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

### ***SUBSTANTIAL SHAREHOLDINGS***

As at 7 August 2023, the following persons had notified the Company of an interest of 3% or more of its issued share capital.

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

### ***PROVISION OF INFORMATION TO AUDITOR***

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

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

# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2023*

### **ANNUAL GENERAL MEETING (AGM)**

This year's AGM will be held at 10.00 a.m. on Thursday 28 September 2023 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR. The notice of meeting is set out on pages 64 to 66 of this document and a form of proxy is included on page 67.

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

### **Report and accounts (Resolution 1)**

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

### **Dividend (Resolution 2)**

As noted above, the directors recommend a final dividend of 1p per share. If approved, the final dividend will be paid on 13 October 2023 to shareholders on the register of members at the close of business on 29 September 2023.

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

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

### **Re-appointment of auditor (Resolution 4)**

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

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

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

Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 28 December 2024, to allot securities up to an aggregate nominal amount of £394,900 being equivalent to approximately one third of the Company's issued share capital as at 7 August 2023.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 28 December 2024, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to an aggregate nominal amount of £236,940 being equivalent to approximately 20 per cent. of the Company's issued share capital as at 7 August 2023. It is intended to renew this authority and power at each AGM.

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

Resolution 7 authorises the Company, until the earlier of next year's AGM or 28 December 2024 to purchase in the market up to a maximum of 1,777,053 ordinary shares (equivalent to approximately 15 per cent. of the issued share capital of the Company as at 7 August 2023) for cancellation at a minimum price of 10 pence per share and a maximum price per share of an amount equal to 105 per cent. of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange) for the five business days immediately before the date of purchase.

The Company may hold any repurchased shares in treasury, instead of cancelling them immediately. If the Company buys back its own shares and holds them in treasury it may then deal with some or all of them in several ways. It may sell them for cash; transfer them under the provisions of an employee share scheme; cancel them; or continue to hold them in treasury. Holding shares in treasury in this way will allow the Company to reissue them quickly and cost effectively, giving increased flexibility to the management of its capital base. Dividends are not paid on shares held in treasury, nor do they carry voting rights while they remain there. The directors intend to decide at the time of any further share buybacks, whether to cancel the shares immediately or to hold them in treasury, depending on what would best promote the success of the Company at the time. The Company currently holds no ordinary shares in treasury.



# PHSC plc

## REPORT OF THE DIRECTORS *(continued)*

*for the year ended 31 March 2023*

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

### **Voting**

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

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

### ***SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS***

Based on the results for 2022-23, the board is confident that the Group can remain profitable and cash-generative throughout the current financial year.

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

**SGH Company Secretaries Limited**

*Secretary*

7 August 2023



# PHSC plc

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

*for the year ended 31 March 2023*

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements and Company accounts in accordance with UK adopted international accounting standards.

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

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

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

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

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

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

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

**Stephen King**

*Group Chief Executive*

7 August 2023

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT

*for the year ended 31 March 2023*

Dear Shareholder,

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

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

The below statement sets out how the Group complies with the 10 principles of the 2018 Quoted Companies Alliance Corporate Governance Code (the “QCA Code”).

### **Stephen King**

*Chair*

#### ***ESTABLISHING STRATEGY AND BUSINESS MODEL***

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

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

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

Further information on the Group’s strategy, performance and outlook can be found within the strategic report on pages 3 to 11.

#### ***UNDERSTANDING AND MEETING SHAREHOLDER NEEDS AND EXPECTATIONS***

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

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

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

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2023*

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

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

The Group's initiatives in relation to its employees are detailed in the section 172 statement on page 10.

### **EMBEDDING EFFECTIVE RISK MANAGEMENT**

The board regularly reviews the risks facing the business as outlined on pages 8 to 10 and the internal controls in place to address these risks. Each operating subsidiary has reviewed its business and identified the key risks which it faces. As a result, plans have been put in place to deal with various contingencies which might arise. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the Group are appropriate for the business.

The Group's operations expose it to a variety of financial risks which are outlined in note 1 to the financial statements on pages 35 and 36.

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

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

The board comprises four directors, of which two are executive and two are non-executive, reflecting a blend of different experience and backgrounds. The chair of the board is Stephen King, who is also the group chief executive. He oversees the financial position of the Group on a day-to-day basis with assistance from the group accountant. Nicola Coote is the deputy group chief executive, and she leads on the Group's marketing initiatives and oversees PHSC. Graham Webb and Lorraine Young are the non-executive directors, whom the board considers to be independent based on their arms-length oversight of the Group's governance. Both have extensive external experience and are able to use this together with their personal qualities to ensure objectivity. PHSC plc is a small company and the value from an intimate knowledge and understanding of the Group's history is fundamental to the ability to give best advice and to best protect stakeholders' interests.

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

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

Graham Webb has served on the board for 20 years. The board is of the view that he retains his independent judgement and continues to make a valuable contribution to the board. Regular board meetings are held (a minimum of four per year) and other meetings are scheduled as required. Brief biographical details of the directors are set out below.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2023*

### **Stephen King**

*Group Chief Executive and Chair*

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

### **Nicola Coote**

*Deputy Group Chief Executive and Deputy Chair*

Nicola Coote co-founded PHSC in 1990 with Stephen King, after working with him in occupational safety and health at both News International and Reuters plc. Nicola is Deputy CEO which includes heading the marketing function of PHSC plc. Nicola has served as secretary of the southeast branch of IOSH and has chaired the annual Tolley Health and Safety Conference. She continues to write and update editorial material for their publication Tolley's Health & Safety at Work Handbook and has acted as author, consultant editor or contributor to more than 30 titles produced by publishers such as Croom Helm. She was the first female Fellow of IOSH in the south of England and continues to support the institution by, *inter alia*, sitting on the panel for applicants applying for Chartered Membership and Chartered Fellowship status. She is also a Registered Expert Witness and works on both criminal and civil cases. In June 2022, Nicola was appointed a non-executive director of Thera Trust, a charity supporting adults with learning difficulties.

### **Graham Webb MBE**

*Non-Executive Director*

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

### **Lorraine Young**

*Non-Executive Director*

Lorraine Young was appointed a non-executive director of PHSC plc in April 2016. She runs a board advisory and consultancy practice, as well as being an accredited mediator, and serves on the advisory board of Indigo Independent Governance. She is a former non-executive director of City of London Group plc, an AIM quoted company in the financial services sector where she chaired the remuneration committee. Lorraine has held senior governance roles at several blue-chip companies, including Standard Chartered plc and Brambles Industries plc. She ran her own company secretarial and corporate governance advisory practice for 13 years, which in 2016 she merged with the company

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2023*

secretarial team at a UK top 50 law firm, where she was a partner. Lorraine is on the Court of the Worshipful Company of Chartered Secretaries and Administrators being one of the modern livery companies, where she chairs the Finance & General Purposes Committee. She is also a past president and fellow of the Chartered Governance Institute. Lorraine is chair of the audit committee and is a member of the remuneration committee.

### **MAINTAINING GOVERNANCE STRUCTURES AND PROCESSES**

#### ***The board***

In addition to the information given under the previous principle, the chair is responsible for the leadership of the board and is pivotal to fostering a culture that adopts good corporate governance. The chair, together with the rest of the board sets direction for the Group through a formal schedule of matters reserved for its decision as set out on page 17.

#### ***Independence of directors***

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

#### ***Time commitments***

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

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

	Board	Audit	Remuneration
Stephen King*	5/5	2/2	0/1
Nicola Coote*	5/5	2/2	0/1
Graham Webb	4/5	2/2	1/1
Lorraine Young	5/5	2/2	1/1

\* Stephen King and Nicola Coote are not members of the audit and remuneration committee, though they are both invited to attend committee meetings as and when required. They do not participate in discussions concerning their own remuneration.

#### ***Committees***

The board has delegated certain matters to committees. There is an audit committee and a remuneration committee. The terms of reference of these committees were reviewed during the year and are available on request. There is no separate nominations committee and the board as a whole deals with any matters that would normally be within the remit of such a committee. For example, the board reviews succession planning at senior levels within the Group at least annually.

#### ***Audit committee***

The audit committee comprises Lorraine Young (chair) and Graham Webb.

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. ISA (UK) 315 (Revised) applied this year and was discussed at some length during the audit planning meeting. The key risk areas identified by the auditors and considered by the audit committee as part of the year-end process, were stock, the impairment of goodwill and investments, revenue recognition and the override of controls by management. In addition to these issues, the Group's ability to continue as a going concern, the recoverability of trade receivables, IT systems and controls, taxation and disclosures within the Annual Report were discussed. There were no changes in accounting standards or disclosure requirements this year which the committee needed to consider.

The committee also regularly reviews internal controls and risk management, including the risk register. 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. The audit committee reviews annually whether the Group needs to have an internal audit function and does not consider this to be necessary at present.

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)*

*for the year ended 31 March 2023*

The committee does consider the continuing independence of the external auditor and notes the level of non-audit fees to ensure they remain at an acceptable level. The current audit partner has been in his role for five years and therefore he will rotate off the audit after this year's AGM. The committee has agreed his replacement.

### **Remuneration committee**

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

### **Directors' remuneration**

The remuneration of the executive directors was as follows:

	Year ended 31.3.23						Total	Year ended 31.3.22 Total*
	Salary	Bonus	Short-term employee benefits Waiver/ voluntary reduction	Pension salary sacrifice	Benefits	Post employment benefits Pension		
	£	£	£	£	£	£	£	
S A King	97,392	3,674	(37,500)	(3,600)	2,844	6,415	69,225	69,650
N C Coote	79,833	3,674	-	(10,000)	2,483	13,492	89,482	86,453

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

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

	Year ended 31.3.23	Year ended 31.3.22
	£	£
G N Webb	16,095	15,131
L E Young	16,095	15,131

### **Nominations committee**

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

### **EVALUATING BOARD PERFORMANCE**

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

### **PROMOTING ETHICAL VALUES AND BEHAVIOURS**

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

# PHSC plc

## CORPORATE GOVERNANCE STATEMENT *(continued)* *for the year ended 31 March 2023*

### **COMMUNICATING WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS**

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

**On behalf of the board**

**SGH Company Secretaries Limited**

*Secretary*

7 August 2023



# PHSC plc

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

*for the year ended 31 March 2023*

### **OPINION**

We have audited the financial statements of PHSC plc (parent Company) and its subsidiaries (Group) for the year ended 31 March 2023, which comprise:

- the Group and Parent Company statements of financial position as at 31 March 2023;
- the Group statement of comprehensive income for the year ended 31 March 2023;
- the Group and parent Company statements of changes in equity for the year then ended;
- the Group and parent Company statements of cash flows 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 UK adopted international accounting standards and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

### **BASIS FOR OPINION**

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

### **CONCLUSIONS RELATING TO GOING CONCERN**

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

- We obtained and reviewed management's trading budgets and cash flow forecasts. In addition to the review of arithmetical accuracy, we also discussed the key assumptions with management and ensured they are in line with expectations based on industry averages and analysis of prior year trends and performance. The trading budget and cash flow forecast show the Group as being profitable and cash generative throughout the forecast period. Our assessment included undertaking sensitivity analysis on these forecasts and considered the feasibility of results in light of past losses and recent economic conditions.
- We reviewed the board minutes and discussed with management any matters not documented in the minutes.
- We enquired with management whether there are any significant subsequent events that may impact on the Group's going concern status.



# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2023*

In addition to the above we noted that the Group has significant cash reserves at 31 March 2023 and a long standing agreed additional bank facility available which has never been used.

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

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

#### **OVERVIEW OF OUR AUDIT APPROACH**

##### **Materiality**

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

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £21,000 (2022: £16,000), based on a balance of 0.75% of turnover and 5% of normalised profit before tax. Company materiality for the financial statements was determined to be £8,000 (2022: £10,000) based on 0.75% of turnover.

We use a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on overall audit materiality as adjusted for the judgements made about entity risk and our evaluation of the specific risk for each audit area. Group performance materiality was set at 70% (2022: 56%) of overall materiality, which equates to £14,700 (2022: £8,960). We applied this percentage in our determination of performance materiality based on a medium level risk profile overall.

Where high specific risk has been identified or where considered appropriate, in such areas as directors' remuneration or related parties, performance materiality was reduced to 48% (2022: 48%) of overall materiality.

We agreed with the audit committee to report all identified errors in excess of £2,100 (2022: £2,500). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

#### **OVERVIEW OF THE SCOPE OF OUR AUDIT**

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

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

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

#### **KEY AUDIT MATTERS**

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

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

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2023*

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

<b>Key audit matter</b>	<b>How the scope of our audit addressed the key audit matter</b>
<p>As at 31 March 2023, the Group has goodwill balances totalling £2,235,000 allocated between the Group's Cash Generating Units (CGUs).</p> <p>As explained in note 6 to the financial statements, the Directors are required to annually test goodwill for impairment, a process that is complex and highly judgemental. We therefore identified the impairment of goodwill as a significant risk.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>- considering management's assessment of the existence of any impairment indicators.</li><li>- obtaining an understanding of the key controls over the impairment review process and generation of cash flow forecasts.</li><li>- obtaining and checking the mechanical accuracy of management's impairment model.</li><li>- considering management's assessment of CGUs, the net assets of each CGU and whether impairment testing is being conducted for all relevant CGUs.</li><li>- challenging and testing the assumptions underlying the impairment models for value in use calculations, in particular maintainable trading levels, growth rates and discount rates (utilising a valuation specialist).</li><li>- testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends.</li><li>- considering the accounting policy for compliance with IAS 36 and the application by the Group in accordance with the stated policy.</li></ul>
<p>The parent company holds investments in its subsidiaries totalling £2,312,278. As this amount is higher than the year-end market capitalisation for the Group, this was considered to be an indication of impairment and so management performed a review to identify if any impairment was required.</p> <p>This involved preparation of value in use forecasts, which require management to make a number of estimates and judgements and we therefore consider this to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"><li>- considering management's assessment of the existence of any impairment indicators.</li><li>- obtaining an understanding of the key controls over the impairment review process and generation of cash flow forecasts.</li><li>- obtaining and checking the mechanical accuracy of management's impairment model.</li><li>- considering management's assessment of CGUs, the net assets of each CGU and whether impairment testing is being conducted for all relevant CGUs.</li><li>- challenging and testing the assumptions underlying the impairment models for value in use calculations, in particular maintainable trading levels, growth rates and discount rates (utilising a valuation specialist).</li><li>- testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends.</li><li>- considering the accounting policy for compliance with IAS 36 and the application by the Group in accordance with the stated policy.</li></ul>

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

#### **OTHER INFORMATION**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2023*

apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### ***OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006***

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

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

#### ***MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION***

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

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

#### ***AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS***

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

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

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

# PHSC plc

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

### OF PHSC PLC *(continued)*

*for the year ended 31 March 2023*

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

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

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

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

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

#### **USE OF OUR REPORT**

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

#### **Mark Anderson**

*(Senior Statutory Auditor)*

for and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

Maidstone

7 August 2023

## GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	31.3.23 £	31.3.22 £
<b>Non-Current Assets</b>			
Property, plant and equipment	5	468,490	490,138
Goodwill	6	2,235,045	2,235,045
Deferred tax asset	14	11,554	15,591
		<u>2,715,089</u>	<u>2,740,774</u>
<b>Current Assets</b>			
Stock	8	200,169	185,685
Trade and other receivables	7	674,372	726,378
Cash and cash equivalents	9	749,627	649,363
		<u>1,624,168</u>	<u>1,561,426</u>
<b>Total Assets</b>		<u>4,339,257</u>	<u>4,302,200</u>
<b>Current Liabilities</b>			
Trade and other payables	11	531,422	617,077
Right of use lease liabilities	13	25,137	30,632
Current corporation tax payable		56,919	55,112
		<u>613,478</u>	<u>702,821</u>
<b>Non-Current Liabilities</b>			
Right of use lease liabilities	13	25,414	24,184
Deferred tax liabilities	14	62,223	61,842
		<u>87,637</u>	<u>86,026</u>
<b>Total Liabilities</b>		<u>701,115</u>	<u>788,847</u>
<b>Net Assets</b>		<u>3,638,142</u>	<u>3,513,353</u>
<b>Capital and reserves attributable to equity holders of the Group</b>			
Called up share capital	10	1,184,704	1,467,726
Share premium account	10	1,916,017	1,916,017
Capital redemption reserve		426,650	143,628
Merger relief reserve		133,836	133,836
Treasury shares		–	(644,738)
Retained earnings		(23,065)	496,884
		<u>3,638,142</u>	<u>3,513,353</u>

The financial statements were approved and authorised for issue by the board of directors on 7 August 2023, and were signed on its behalf by:

**S A King**

Director

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

# PHSC plc

## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	31.3.23 £	31.3.22 £
<b>Continuing operations:</b>			
Revenue	27	3,437,624	3,570,626
Cost of sales	15	(1,612,543)	(1,938,870)
Gross profit		1,825,081	1,631,756
Administrative expenses	15	(1,524,829)	(1,446,051)
Goodwill impairment	6	–	(793,418)
Government grants	16	–	29,527
Other income	17	3,000	–
Profit/(loss) from operations		303,252	(578,186)
Finance income	20	1,346	388
Profit/(loss) before taxation		304,598	(577,798)
Corporation tax expense	21	(61,339)	(53,205)
<b>Profit/(loss) for the year after tax attributable to owners of the parent</b>		<b>243,259</b>	<b>(631,003)</b>
Other comprehensive income		–	–
<b>Total comprehensive income/(loss) attributable to owners of the parent</b>		<b>243,259</b>	<b>(631,003)</b>
Basic earnings/(loss) per share from continuing operations (p)	22	2.05p	(4.76)p

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

# PHSC plc

## GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Treasury Shares £	Retained Earnings £	Total £
<b>Balance at 1 April 2022</b>	1,467,726	1,916,017	133,836	143,628	(644,738)	496,884	3,513,353
Profit for year attributable to equity holders	-	-	-	-	-	243,259	243,259
Dividends	-	-	-	-	-	(118,470)	(118,470)
Cancellation of own shares	(283,022)			283,022	644,738	(644,738)	-
<b>Balance at 31 March 2023</b>	<b>1,184,704</b>	<b>1,916,017</b>	<b>133,836</b>	<b>426,650</b>	<b>-</b>	<b>(23,065)</b>	<b>3,638,142</b>
<b>Balance at 1 April 2021</b>	1,467,726	1,916,017	133,836	143,628	-	1,258,092	4,919,299
Loss for year attributable to equity holders	-	-	-	-	-	(631,003)	(631,003)
Dividends	-	-	-	-	-	(130,205)	(130,205)
Purchase of own shares	-	-	-	-	(644,738)	-	(644,738)
<b>Balance at 31 March 2022</b>	<b>1,467,726</b>	<b>1,916,017</b>	<b>133,836</b>	<b>143,628</b>	<b>(644,738)</b>	<b>496,884</b>	<b>3,513,353</b>

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

# PHSC plc

## GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	31.3.23 £	31.3.22 £
<b>Cash flows from operating activities:</b>			
Cash generated from operations	I	318,153	313,530
Tax paid		(55,114)	(89,213)
<b>Net cash generated from operating activities</b>		<b>263,039</b>	<b>224,317</b>
<b>Cash flows used in investing activities</b>			
Purchase of property, plant and equipment		(41,386)	(22,117)
Proceeds from disposal of fixed assets		–	140
Interest received		1,346	388
<b>Net cash used in investing activities</b>		<b>(40,040)</b>	<b>(21,589)</b>
<b>Cash flows used in financing activities</b>			
Payment of lease liabilities		(4,265)	(15,905)
Purchase of own shares		–	(644,738)
Dividends paid to shareholders		(118,470)	(130,205)
<b>Net cash used in financing activities</b>		<b>(122,735)</b>	<b>(790,848)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>100,264</b>	<b>(588,120)</b>
Cash and cash equivalents at beginning of year		649,363	1,237,483
<b>Cash and cash equivalents at end of year</b>		<b>749,627</b>	<b>649,363</b>

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

## NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	31.3.23 £	31.3.22 £
<b>I. CASH GENERATED FROM OPERATIONS</b>		
Profit/(loss) from operations	303,252	(577,798)
Depreciation charge	63,034	58,812
Goodwill impairment	–	793,418
Loss on sale of fixed assets	–	2,441
(Increase)/decrease in stock	(14,484)	74,075
Decrease/(increase) in trade and other receivables	52,006	(136,250)
(Decrease)/increase in trade and other payables	(85,655)	98,832
<b>Cash generated from operations</b>	<b>318,153</b>	<b>313,530</b>



# PHSC plc

## ACCOUNTING POLICIES

*for the year ended 31 March 2023*

### **General information**

PHSC plc is quoted on the AIM market operated by London Stock Exchange plc and is incorporated in England and Wales under the Companies Act 2006. The address of its registered office is set out in the Company information schedule at the front of this annual report. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 3 to 11. The financial statements are presented in pounds sterling which is the Group's functional and presentation currency. The figures shown in the financial statements are rounded to the nearest pound.

### **Basis of preparation of financial statements**

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

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

Company Law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they have considered a period up to 12 months from the date of signing and any severe but plausible downside factors and that the going concern basis remains appropriate. In accordance with Financial Reporting Council guidance the directors have provided reasons for this opinion in the going concern section of the strategic report on page 11.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **Basis of consolidation**

The Group financial statements consolidate the financial statements of PHSC plc and all of its subsidiary undertakings made up to 31 March 2023.

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

The acquisition of subsidiaries has been accounted for using the acquisition method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Inter-company transactions (including unrealised gains/losses) and balances are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

### **Property, plant and equipment**

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

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2023*

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:

Property:

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)

Plant and equipment:

Fixtures and equipment	-	25% on reducing balance basis
Motor vehicles	-	25% on reducing balance basis

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

### Leases

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

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

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

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

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

### Intangible assets

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

### Impairment of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). 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.

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2023*

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

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

### **Stock**

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

### **Cash and cash equivalents**

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

### **Financial instruments**

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

### **Taxation**

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

Deferred tax is provided in full on temporary differences between the carrying amounts of assets and liabilities and their tax bases, except when, at the initial recognition of the asset or liability, there is no effect on accounting or taxable profit or loss under a business combination. Deferred tax is determined using tax rates and laws that have been substantially enacted by the statement of financial position date, and that are expected to apply when the temporary difference reverses.

Tax losses available to be carried forward, and other tax credits to the Group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity.

### **Provisions**

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

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

# PHSC plc

## ACCOUNTING POLICIES *(continued)*

*for the year ended 31 March 2023*

### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The proceeds of share issues, received net of any directly attributable transactions costs, are credited to share capital at nominal value and the excess credited to the share premium account.

The capital redemption reserve arose when the Company repurchased some of its own shares. At that point the nominal value of those shares was transferred to the capital redemption reserve.

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

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

### Employee benefits

The Group supports various personal pension arrangements and is auto-enrolment compliant. Payments are made to individual defined contribution pension schemes. Agreed contributions are charged to the statement of comprehensive income as they become payable.

### Revenue recognition

Revenue consists of the consideration to which the Group expects to be entitled for services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts.

Revenue stream	Nature, timing of satisfaction of performance obligations and significant payment terms
Services: one-off consultancy, training, health & safety audits, editorials and safety inspections	Revenue from services is recognised as the services are provided as this is the point at which the performance obligations are fulfilled. In respect of services invoiced in advance, amounts are deferred until provision of the service. Customer payment terms are generally 30 days from the date of invoice.
Services: health and safety support, annual consultancy services, appointed safety adviser services and certification services	Revenue is recognised evenly across the length of the contract as this is considered the best estimate of the fulfilment of the performance obligations. Customer payment terms are generally 30 days from the date of invoice.
Services: UK Responsible Person Service	Revenue is apportioned across the year using pre-set percentages reflecting the associated work load each month.
Supply and installation of security equipment and maintenance of equipment	Revenue from installation and maintenance is recognised as these services are provided as this is the point at which the performance obligations are fulfilled. Customer payment terms are between 30 and 60 days from the date of invoice.

### Foreign currencies

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

# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 1. FINANCIAL RISK MANAGEMENT

#### Financial risk

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

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

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

#### Market risk

The Group has interest-bearing assets which are subject to a variable rate of interest. Accordingly, the Group is only exposed to interest rate risk, which is not expected to have a significant impact on profit or loss or equity. Cash is deposited with a blue chip institution with regular monitoring of exposure and risk.

#### Credit risk

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

#### Liquidity risk

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

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

	Less than 1 year £	Between 1 & 2 yrs £	Between 2 & 5 yrs £	Over 5 yrs £
<b>At 31 March 2023</b>				
Trade and other payables	531,422	–	–	–
Lease liabilities	25,137	25,414	–	–
<b>At 31 March 2022</b>				
Trade and other payables	617,077	–	–	–
Lease liabilities	30,632	24,184	–	–

#### 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, but more recently for share buy-backs and special dividends.

# PHSC plc

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

*for the year ended 31 March 2023*

### 1. FINANCIAL RISK MANAGEMENT – continued

#### Foreign exchange risk

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

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

The directors are required to make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity and areas where assumptions are significant to the production of these financial statements are disclosed below.

#### *Impairment of goodwill*

An impairment of goodwill has the potential to significantly impact upon the Group's statement of comprehensive income for the year. To determine whether impairments are required the directors estimate the recoverable amount of the goodwill. This calculation is based on the directors' expectations of future volumes and margins based on the results forecast for a three-year period ending 31 March 2026. Full details are disclosed in note 6.

#### *Provision for obsolete and slow-moving stock*

Stock of £38,076 (2022: £57,564) has been identified as slow moving within B2BSG and a provision has been made against this stock to cover potential obsolescence. The stock provision will be monitored and updated regularly.

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

- i) Changes in technology rendering current stock technologically obsolete
- ii) Customers changing their existing systems which would mean elements of current maintenance stock are unable to be utilised.

# PHSC plc

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

for the year ended 31 March 2023

### 3. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified based on internal reporting and decision-making. PHSC plc's operating segments are by subsidiary company as the directors and management team receive and make decisions based on monthly management accounts by subsidiary. A description of each subsidiary's activities is included in the strategic report on pages 5 to 8.

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

	Revenue £'000	Other income £'000	Depreciation £'000	Operating profit/ (loss) £'000	Net interest £'000	Profit/ (loss) before tax £'000	Current taxation £'000	Deferred taxation £'000	Goodwill impairment £'000	Profit after tax £'000
<b>Year ended 31 March 2023</b>										
Security division - B2BSG	830	3	1	(9)	-	(9)	10	(4)	-	
Health and safety division										
ISL	198	-	11	7	-	7	1	-	-	
PHSCL	807	-	4	268	-	268	(38)	(1)	-	
QLM	402	-	6	137	-	137	(21)	-	-	
RSA	366	-	9	70	-	70	(9)	-	-	
	<u>1,773</u>	<u>-</u>	<u>30</u>	<u>482</u>	<u>-</u>	<u>482</u>	<u>(67)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Quality systems division - QCS	835	-	18	272	-	272	(47)	-	-	
Holding company - PHSC plc	-	-	14	(442)	1	(441)	47	1	-	
<b>Total</b>	<b><u>3,438</u></b>	<b><u>3</u></b>	<b><u>63</u></b>	<b><u>303</u></b>	<b><u>1</u></b>	<b><u>304</u></b>	<b><u>(57)</u></b>	<b><u>(4)</u></b>	<b><u>-</u></b>	<b><u>243</u></b>

	Revenue £'000	Other income £'000	Depreciation £'000	Operating profit/ (loss)* £'000	Net interest £'000	Profit/ (loss) before tax £'000	Current taxation £'000	Deferred taxation £'000	Goodwill impairment £'000	Loss after tax £'000
<b>Year ended 31 March 2022</b>										
Security division - B2BSG	749	3	3	(79)	-	(79)	10	14	-	
Health and safety division										
ISL	187	-	10	9	-	9	1	-	-	
PHSCL	1,283	10	1	351	-	351	(56)	(1)	-	
QLM	324	4	7	101	-	101	(14)	-	-	
RSA	304	4	6	53	-	53	(6)	-	-	
	<u>2,098</u>	<u>18</u>	<u>24</u>	<u>514</u>	<u>-</u>	<u>514</u>	<u>(75)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Quality systems division - QCS	724	5	18	189	-	189	(30)	(1)	-	
Holding company - PHSC plc	-	4	14	(409)	-	(409)	41	(11)	-	
<b>Total</b>	<b><u>3,571</u></b>	<b><u>30</u></b>	<b><u>59</u></b>	<b><u>215</u></b>	<b><u>-</u></b>	<b><u>215</u></b>	<b><u>(54)</u></b>	<b><u>1</u></b>	<b><u>(793)</u></b>	<b><u>(631)</u></b>

\* Operating profit/(loss) pre impairment.

# PHSC plc

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

for the year ended 31 March 2023

### 3. SEGMENTAL REPORTING – continued

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

	Non-current asset additions £'000	Non current assets £'000	Current assets £'000	Total assets £'000	Current liabilities £'000	Non-current liabilities £'000	Total liabilities £'000	Net operating assets £'000
<b>As at 31 March 2023</b>								
Security division - B2BSG	-	13	453	466	(28)	-	(28)	438
Health and safety division								
ISL	16	14	54	68	(64)	(8)	(72)	(4)
PHSCL	20	20	201	221	(78)	(10)	(88)	133
QLM	-	2	93	95	(122)	(1)	(123)	(28)
RSA	4	470	95	565	(58)	(5)	(63)	502
	40	506	443	949	(322)	(24)	(346)	603
Quality systems division - QCS	1	45	197	242	(204)	(9)	(213)	29
Holding company - PHSC plc	-	2,685	531	3,216	(59)	(48)	(107)	3,109
Sub-total	41	3,249	1,624	4,873	(613)	(81)	(694)	4,179
Consolidation adjustments								
To goodwill	-	(536)	-	(536)	-	-	-	(536)
To deferred tax	-	2	-	2	-	(7)	(7)	(5)
<b>Total</b>	<b>41</b>	<b>2,715</b>	<b>1,624</b>	<b>4,339</b>	<b>(613)</b>	<b>(88)</b>	<b>(701)</b>	<b>3,638</b>

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

There were two B2BSG customers where invoices raised during the year exceeded 10% of turnover; £0.248m was invoiced to one customer representing 30% of turnover and £0.104m to another representing 13% of turnover.



# PHSC plc

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

for the year ended 31 March 2023

### 4. AUDITOR'S REMUNERATION

	31.3.23 £	31.3.22 £
<b>Audit</b>		
Fees payable to the Company's auditor for the audit of the annual parent Company and consolidated accounts	34,000	3,250
Fees payable to the Company's auditor for other services provided to the Company and its subsidiaries:		
The audit of the Company's subsidiaries under legislative requirements	-	25,350
<b>Total audit</b>	<b>34,000</b>	<b>28,600</b>
<b>Tax</b>		
Tax compliance services - present year	8,625	7,500
Tax advisory services	2,500	2,000
Tax advisory services - previous year	4,000	-
<b>Total tax</b>	<b>15,125</b>	<b>9,500</b>
<b>Total</b>	<b>49,125</b>	<b>38,100</b>

### 5. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Improvements to property £	Fixtures and equipment £	Right of use assets £	Totals £
<b>COST</b>					
At 1 April 2021	571,270	100,132	133,433	123,299	928,134
Additions	-	-	4,776	17,341	22,117
Disposals	-	-	(14,764)	(6,890)	(21,654)
At 31 March 2022	571,270	100,132	123,445	133,750	928,597
Additions	-	-	7,864	33,522	41,386
Disposals	-	-	-	-	-
<b>At 31 March 2023</b>	<b>571,270</b>	<b>100,132</b>	<b>131,309</b>	<b>167,272</b>	<b>969,983</b>
<b>DEPRECIATION</b>					
At 1 April 2021	196,742	50,054	99,347	52,578	398,721
Charge for year	8,838	7,642	9,086	33,246	58,812
Disposals	-	-	(12,184)	(6,890)	(19,074)
At 31 March 2022	205,580	57,696	96,249	78,934	438,459
Charge for year	8,838	7,641	8,768	37,787	63,034
Disposals	-	-	-	-	-
<b>At 31 March 2023</b>	<b>214,418</b>	<b>65,337</b>	<b>105,017</b>	<b>116,721</b>	<b>501,493</b>
<b>NET BOOK VALUE</b>					
<b>At 31 March 2023</b>	<b>356,852</b>	<b>34,795</b>	<b>26,292</b>	<b>50,551</b>	<b>468,490</b>
At 31 March 2022	365,690	42,436	27,196	54,816	490,138
At 31 March 2021	374,528	50,078	34,086	70,721	529,413

Depreciation expenses of £63,034 (2022: £58,812) are included in administrative expenses in the statement of comprehensive income.

The net book value of right of use assets includes £15,973 (2022: £27,248) in relation to short-term lease hold property and £34,578 (2022: 27,568) in relation to motor vehicles.

# PHSC plc

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

*for the year ended 31 March 2023*

### 6. GOODWILL

	Goodwill £
<b>COST</b>	
At 1 April 2021 and 2022	5,514,547
Additions	-
<b>At 31 March 2023</b>	<b>5,514,547</b>
<b>IMPAIRMENT</b>	
At 1 April 2021	2,486,084
Impairment	793,418
At 31 March 2022	3,279,502
Impairment	-
<b>At 31 March 2023</b>	<b>3,279,502</b>
<b>NET BOOK VALUE</b>	
<b>At 31 March 2023</b>	<b>2,235,045</b>
At 31 March 2022	2,235,045
At 31 March 2021	3,028,463

#### Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units, identified according to subsidiary.

The following table shows a summary of the goodwill allocation by subsidiary:

	31.3.23 £	31.3.22 £
B2BSG Solutions Limited	-	-
Inspection Services (UK) Limited	87,967	87,967
Personnel Health & Safety Consultants Limited	594,952	594,952
QCS International Limited	417,638	417,638
Quality Leisure Management Limited	582,844	582,844
RSA Environmental Health Limited	551,644	551,644
<b>Total goodwill for Group</b>	<b>2,235,045</b>	<b>2,235,045</b>

The directors have estimated the value-in-use of goodwill by discounting estimated future cash flows in accordance with IFRS. Management have prepared forecasts for 2023-24 and have then assessed whether it is appropriate to assume that this level of performance will be maintained or improved over the following two years. Forecast performance for the third year, 2025-26, is then assumed to continue into perpetuity. The impairment review calculations use estimated future cash flows based on these forecasts with a terminal value being calculated using the year 3 expected cash flows. The cash flow projections are based on profits before tax and inter group management charges and have been discounted using a discount rate of 13% (2022: 11%). This takes into consideration the weighted average cost of capital (WACC) and factors in an increased risk connected with being a company quoted on AIM.

# PHSC plc

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

*for the year ended 31 March 2023*

### 6. GOODWILL – continued

Every year the board assesses the value of goodwill on the statement of financial position and forms a view as to whether this value is realistic and justifiable. As at 31 March 2023, the board is satisfied that the cash flows from future trading is sufficient to support the carrying value of the goodwill and investment value of each subsidiary and for this reason no impairment charge is deemed necessary. In the prior year the full value of B2BSG's goodwill of £676,178 was written off, and the carrying value of ISL was reduced by £117,240.

#### *Sensitivity analysis*

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

	Reduction in revenue of 3% £	Increase in discount rate of 1% £
RSA Environmental Health Limited	-	4,108

Additional work undertaken found actual results for RSA to regularly exceed those forecast year on year. Building in the same uplift to forecasts as prior actuals management are confident that goodwill is not impaired.

# PHSC plc

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

*for the year ended 31 March 2023*

### 7. TRADE AND OTHER RECEIVABLES

	31.3.23 £	31.3.22 £
Trade receivables	580,845	630,617
Less provision for impairment of trade receivables	–	(2,485)
Trade receivables (net)	580,845	628,132
Social security and other taxes	–	1,405
Other debtors and prepayments	80,117	92,441
Contract assets	13,410	4,400
Total	<u>674,372</u>	<u>726,378</u>

At 31 March 2023 there were no impaired trade receivables (2022: £2,485).

The ageing of receivables is as follows:

	31.3.23 £	31.3.22 £
Up to 3 months	541,159	578,761
3 to 6 months	10,197	20,008
Over 6 months	29,489	31,848
	<u>580,845</u>	<u>630,617</u>

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

	31.3.23 £	31.3.22 £
At 1 April	2,485	2,345
Provision for receivables impairment	–	3,716
Release of provision	(2,485)	(3,576)
At 31 March	<u>–</u>	<u>2,485</u>

The creation and release of the provision for impaired receivables is included in administrative expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. Debts older than 90 days have either been provided for or are considered fully recoverable based on the customer's payment history and current trading situation.

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

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

# PHSC plc

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

for the year ended 31 March 2023

### 8. STOCK

	31.3.23 £	31.3.22 £
Stock of finished goods	<u>200,169</u>	<u>185,685</u>

£38,076 of stock was written down in the current year (2022: £57,564). The value of stock consumed and recognised as an expense was £452,819 (2022: £418,363).

### 9. CASH AND CASH EQUIVALENTS

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

	31.3.23 £	31.3.22 £
Cash at bank and in hand	<u>749,627</u>	<u>649,363</u>

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

### 10. CALLED UP SHARE CAPITAL

	Number of shares (Nominal value of 10p)	Ordinary shares £	Share premium £	Total £
<b>Called up, allotted and fully paid</b>				
At 31 March 2021 and 2022	14,677,257	1,467,726	1,916,017	3,383,743
Cancellation of shares held in Treasury	(2,830,238)	(283,022)	-	(283,022)
<b>At 31 March 2023</b>	<u>11,847,019</u>	<u>1,184,704</u>	<u>1,916,017</u>	<u>3,100,721</u>

The authorities granted by shareholders at the 2020 AGM and 2021 AGM were utilised to implement two share buyback programmes. The first was announced on 13 May 2021 and completed on 17 June 2021 and the second was announced on 21 January 2022 and completed on 16 March 2022. Over that period, the Company's broker was able to repurchase a total of 2,830,238 ordinary shares on the Company's behalf for a total consideration (including costs) of approximately £0.645m. The buyback programmes were largely funded from the surplus cash held on account following the sale of freehold premises previously held by a former subsidiary, in late September 2018. The repurchased shares were initially held in treasury but were subsequently cancelled on 6 May 2022. Accordingly, the number of ordinary shares in issue as at 31 March 2022 was 14,677,257 but subsequently reduced to 11,847,019 on 6 May 2022.

### 11. TRADE AND OTHER PAYABLES

	31.3.23 £	31.3.22 £
Trade payables	48,267	134,316
Social security and other taxes	162,451	171,825
Other payables	25,392	8,830
Accruals	60,258	55,160
Contract liabilities	235,054	246,946
Total	<u>531,422</u>	<u>617,077</u>

# PHSC plc

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

*for the year ended 31 March 2023*

### 12. FINANCIAL LIABILITIES

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC Bank plc. Until the middle of March 2023 each company within the Group operated its own current account, the balance on which was allowed to fluctuate according to trading conditions. Interest was only charged on a net overdrawn balance as the Group had the right to offset overdrawn accounts with accounts in credit across the Group. It is now the case that interest is charged on each account on a standalone basis necessitating funds to be moved between Group companies to avoid any interest charges. These movements are reflected through inter-company accounts which accounts for some relatively large inter-company balances at the year end. The Group has an overdraft facility of £50,000 which is secured by a debenture including a fixed charge over certain freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and a first floating charge over all assets and undertakings both present and future. The overdraft is next scheduled for review in October 2023.

### 13. LEASES

	Land & Buildings £	Motor Vehicles £	Total £
<b>Year ended 31 March 2023</b>			
Amounts due within 1 year – right of use lease liabilities	11,275	13,862	25,137
Amounts due over 1 year – right of use lease liabilities	4,698	20,716	25,414
Total	<u>15,973</u>	<u>34,578</u>	<u>50,551</u>
<b>Year ended 31 March 2022</b>			
Amounts due within 1 year – right of use lease liabilities	11,275	19,357	30,632
Amounts due over 1 year – right of use lease liabilities	8,211	15,973	24,184
Total	<u>19,486</u>	<u>35,330</u>	<u>54,816</u>

### 14. DEFERRED TAX

	Tax losses carried forward £	Accelerated capital allowances £	Other short-term temporary differences £	Total £
<b>Deferred tax asset</b>				
At 1 April 2021	2,017	-	-	2,017
Credited to income statement	-	-	13,574	13,574
At 31 March 2022	2,017	-	13,574	15,591
Debited to income statement	-	-	(4,037)	(4,037)
<b>At 31 March 2023</b>	<u>2,017</u>	<u>-</u>	<u>9,537</u>	<u>11,554</u>
<b>Deferred tax liabilities</b>				
	Provision revalued properties £	Accelerated capital allowances £	Intangible assets £	Total £
At 1 April 2021	34,948	3,424	12,616	50,988
(Credited)/debited to income statement	-	(82)	10,936	10,854
At 31 March 2022	34,948	3,342	23,552	61,842
Debited to income statement	-	381	-	381
<b>At 31 March 2023</b>	<u>34,948</u>	<u>3,723</u>	<u>23,552</u>	<u>62,223</u>

Deferred tax has been provided at 25% (2022: 25%).

# PHSC plc

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

*for the year ended 31 March 2023*

### 15. EXPENSES BY NATURE

	31.3.23 £	31.3.22 £
Cost of sales	830,486	1,151,438
Staff related costs	1,596,056	1,598,673
Premises costs	56,097	42,814
Professional fees	211,041	176,183
Other expenses	443,692	415,813
Goodwill impairment	–	793,418
Total	<u>3,137,372</u>	<u>4,178,339</u>
Cost of sales	1,612,543	1,938,870
Administrative expenses	1,524,829	1,446,051
Goodwill impairment	–	793,418
Total	<u>3,137,372</u>	<u>4,178,339</u>

### 16. GOVERNMENT GRANTS

	31.3.23 £	31.3.22 £
Coronavirus Job Retention Scheme	–	29,527
	–	29,527

### 17. OTHER INCOME

	31.3.23 £	31.3.22 £
Apprenticeship grant	3,000	–
	<u>3,000</u>	–

### 18. EMPLOYEES

Staff costs (including executive directors)	31.3.23 £	31.3.22 £
Wages and salaries	1,353,353	1,368,091
Social security costs	148,999	140,659
Other pension costs	72,182	67,765
	<u>1,574,534</u>	<u>1,576,515</u>

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

	31.3.23	31.3.22
Directors of PHSC plc and subsidiary companies	7	7
Consultants	17	19
Administrative	17	18
Total	<u>41</u>	<u>44</u>

# PHSC plc

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

for the year ended 31 March 2023

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:

	31.3.23 £	31.3.22 £
Short-term employee benefits	394,876	373,281
Post-employment benefits	42,111	42,435
<b>Total</b>	<b>436,987</b>	<b>415,716</b>

### 19. DIRECTORS' REMUNERATION

Directors of PHSC plc only

	31.3.23 £	31.3.22 £
Emoluments	167,336	163,817
Pension contributions to money purchase schemes	23,561	22,548
<b>Total</b>	<b>190,897</b>	<b>186,365</b>

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

	Year ended 31.3.23						Total £	Year ended 31.3.22 Total £
	Salary £	Bonus £	Waiver/ voluntary reduction £	Pension salary sacrifice £	Benefits £	Post employment benefits Pension £		
<b>S A King</b>	97,392	3,674	(37,500)	(3,600)	2,844	6,415	69,225	69,650
<b>N C Coote</b>	79,833	3,674	–	(10,000)	2,483	13,492	89,482	86,453

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

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

	31.3.23 £	31.3.22 £
G N Webb	16,095	15,131
L E Young	16,095	15,131
<b>Total</b>	<b>32,190</b>	<b>30,262</b>

### 20. FINANCE INCOME

	31.3.23 £	31.3.22 £
<b>Finance income</b>		
Interest received	1,346	388



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2023

### 21. TAXATION

Analysis of tax charge in year

	31.3.23 £	31.3.22 £
<b>Current tax:</b>		
UK corporation tax on profits in the year	56,921	55,115
Adjustments in respect of previous year	–	810
Total current tax charge	<u>56,921</u>	<u>55,925</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	4,418	(2,720)
Total deferred tax charge/(credit)	<u>4,418</u>	<u>(2,720)</u>
<b>Tax on profit on ordinary activities</b>	<u>61,339</u>	<u>53,205</u>

#### Reconciliation of tax on ordinary activities

The relationship between expected tax expense based on the effective tax rate of PHSC plc at 19% (2022: 19%) and the tax expense recognised in the income statement can be reconciled as follows:

	31.3.23 £	31.3.22 £
Profit/(loss) on ordinary activities before tax	<u>304,598</u>	<u>(577,798)</u>
Tax on profit/(loss) on ordinary activities at standard rate of corporation tax of 19% (2022: 19%)	57,874	(109,782)
Effects of:		
Expenses not deductible for tax purposes	3,457	151,028
Fixed asset timing differences	–	1,411
Effect of tax rate change on opening deferred tax balance	–	9,738
Adjustments in respect of prior periods	–	810
Total tax charge	<u>61,331</u>	<u>53,205</u>

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

# PHSC plc

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

*for the year ended 31 March 2023*

### 22. 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.

	31.3.23	31.3.22
Profit/(loss) attributable to equity holders of the Group (£)	243,259	(631,003)
Weighted average number of ordinary shares in issue	11,847,019	13,250,966
Basic earnings/(loss) per share (pence per share)	2.05p	(4.76)p

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

### 23. DIVIDENDS

A total dividend of 1.0p per ordinary share was paid in respect of the year ended 31 March 2022; £64,830 was paid in January 2022 and the balance of £59,190 in October 2022. An interim dividend of 0.5p in respect of the year ended 31 March 2023 was paid in January 2023 (£59,190) and a final dividend of 1p is proposed, subject to shareholder approval, for payment in October 2023.

### 24. RELATED PARTY DISCLOSURES

	31.3.23 £	31.3.22 £
PHSC plc dividends paid to directors		
S A King	25,618	28,331
N C Coote	25,303	27,920
G N Webb MBE	195	194
	<u>51,116</u>	<u>56,445</u>

### 25. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party, but the largest shareholder, Mr S A King, currently holds 21.62% (2022: 21.62%) of the issued share capital of PHSC plc.

# PHSC plc

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

*for the year ended 31 March 2023*

### 26. FINANCIAL INSTRUMENTS

Set out below are the Group's financial instruments:

	31.3.23 £	31.3.22 £
<b>Financial assets at amortised cost</b>		
Trade and other receivables	674,372	726,378
Cash and cash equivalents	749,627	649,363
	<u>1,423,999</u>	<u>1,375,741</u>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	531,422	617,077
	<u>531,422</u>	<u>617,077</u>
Due within 1 year	531,422	617,077
Due in over 1 year	–	–
	<u>531,422</u>	<u>617,077</u>

### 27. REVENUE

Set out below is a breakdown of revenue:

	31.3.23 £	31.3.22 £
Health and safety services	1,773,111	2,097,323
Quality systems services	834,636	724,142
Security related products	829,877	749,161
	<u>3,437,624</u>	<u>3,570,626</u>

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

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

	31.3.23 £	31.3.22 £
Receivables which are included in 'trade and other receivables'	580,845	628,132
Contract assets	13,410	4,400
Contract liabilities	<u>235,054</u>	<u>246,945</u>

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

# PHSC plc

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

*for the year ended 31 March 2023*

### 27. REVENUE – continued

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

	31.3.23 £	31.3.22 £
Revenue deferred into future periods	<b>(235,054)</b>	(246,945)
Revenue accrued in current period	<b>13,410</b>	4,400
Deferred revenue recognised in the period	<b><u>246,945</u></b>	<b><u>233,632</u></b>

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

**PHSC plc**  
**COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**COMPANY STATEMENT OF FINANCIAL POSITION**

as at 31 March 2023

	Note	31.3.23 £	31.3.22 £
<b>Non-Current Assets</b>			
Property, plant and equipment	9	372,926	386,372
Investments	10	2,312,278	2,312,278
		<u>2,685,204</u>	<u>2,698,650</u>
<b>Current Assets</b>			
Trade and other receivables	11	987,951	1,478,265
Cash and cash equivalents	12	506,560	91,555
		<u>1,494,511</u>	<u>1,569,820</u>
<b>Total Assets</b>		<u>4,179,715</u>	<u>4,268,470</u>
<b>Current Liabilities</b>			
Trade and other payables	13	107,791	29,338
Corporation tax		–	–
		<u>107,791</u>	<u>29,338</u>
<b>Non-Current Liabilities</b>			
Deferred taxation	14	48,274	48,823
		<u>48,274</u>	<u>48,823</u>
<b>Total Liabilities</b>		<u>156,065</u>	<u>78,161</u>
<b>Net Assets</b>		<u>4,023,650</u>	<u>4,190,309</u>
<b>Capital and reserves attributable to equity holders of the Group</b>			
Called up share capital	15	1,184,704	1,467,726
Share premium account	15	1,916,017	1,916,017
Capital redemption reserve		426,650	143,628
Merger relief reserve		133,836	133,836
Retained earnings		362,443	529,102
		<u>4,023,650</u>	<u>4,190,309</u>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent Company profit and loss account. The loss for the year was £48,189 (2022: loss of £325,024).

Approved and authorised for issue by the board on 7 August 2023 and signed on its behalf by:

**S A King**

Director

# PHSC plc

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings	Total £
<b>Balance at 1 April 2022</b>	1,467,726	1,916,017	133,836	143,628	529,102	4,190,309
Loss for year attributable to equity holders	-	-	-	-	(48,189)	(48,189)
Cancellation of own shares	(283,022)	-	-	283,022	-	-
Dividends paid	-	-	-	-	(118,470)	(118,470)
<b>Balance at 31 March 2023</b>	<u>1,184,704</u>	<u>1,916,017</u>	<u>133,836</u>	<u>426,650</u>	<u>362,443</u>	<u>4,023,650</u>
<b>Balance at 1 April 2021</b>	1,467,726	1,916,017	133,836	143,628	1,629,079	5,290,286
Loss for year attributable to equity holders	-	-	-	-	(325,034)	(325,034)
Cancellation of own shares	-	-	-	-	(644,738)	(644,738)
Dividends paid	-	-	-	-	(130,205)	(130,205)
<b>Balance at 31 March 2022</b>	<u>1,467,726</u>	<u>1,916,017</u>	<u>133,836</u>	<u>143,628</u>	<u>529,102</u>	<u>4,190,309</u>

# PHSC plc

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	31.3.23 £	31.3.22 £
<b>Cash flows generated from/(used by) operating activities:</b>			
Cash generated from/(used by) operations	I	319,903	(885,497)
Group tax relief receipt		47,226	40,823
<b>Net cash generated from/(used by) operating activities</b>		<b>367,129</b>	<b>(844,674)</b>
<b>Cash flows from investing activities</b>			
Dividends from subsidiary companies		165,000	675,000
Interest received		1,346	54
<b>Net cash from investing activities</b>		<b>166,346</b>	<b>675,054</b>
<b>Cash flows used by financing activities</b>			
Dividends paid to Group shareholders		(118,470)	(130,205)
Purchase of own shares		–	(644,738)
<b>Net cash used by financing activities</b>		<b>(118,470)</b>	<b>(774,943)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>415,005</b>	<b>(944,563)</b>
Cash and cash equivalents at beginning of year		91,555	1,036,118
<b>Cash and cash equivalents at year end</b>		<b>506,560</b>	<b>91,555</b>

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

## NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	31.3.23 £	31.3.22 £
<b>I. CASH GENERATED FROM/(USED BY) OPERATIONS</b>		
Loss before taxation and interest	(262,310)	(1,030,119)
Depreciation charge	13,446	14,069
Impairment of investment	–	800,928
Decrease/(increase) in trade and other receivables	490,314	(667,600)
Increase/(decrease) in trade and other payables	78,453	(2,775)
<b>Cash generated from/(used by) operations</b>	<b>319,903</b>	<b>(885,497)</b>



# PHSC plc

## NOTES TO THE FINANCIAL STATEMENTS

*for the year ended 31 March 2023*

### 1. BASIS OF PREPARATION

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

The preparation of financial statements in conformity with UK adopted international accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 18.

The Company has elected to apply the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The loss for the year before dividends received from subsidiaries (2023: £165,000; 2022: £675,000) was £213,189 (2022: loss of £1,000,034). There were no items of other comprehensive income in either period.

Company Law requires the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they have considered a period up to 12 months from the date of signing and any severe but plausible downside factors and that the going concern basis remains appropriate. In accordance with Financial Reporting Council guidance the directors have provided reasons for this opinion in the going concern section of the strategic report on page 11.

There are no standards that are issued but not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 2. ACCOUNTING POLICIES

#### Revenue

Management charge income is recognised when the service the Company has provided is fulfilled.

#### Deferred income tax

Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The directors regard the operations of the Company as being one business segment. Further analysis of revenue is disclosed in note 3.

#### Pensions

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

# PHSC plc

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

*for the year ended 31 March 2023*

### 2. ACCOUNTING POLICIES – continued

#### Property, plant and equipment

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

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

#### Investments

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

#### Impairment of tangible and intangible assets

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

#### Taxation

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

#### Provisions

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

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

#### Financial Instruments

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

#### Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. The proceeds of share issues received net of any directly attributable transaction costs are credited to share capital at nominal value and the excess credited to the share premium account. The capital redemption reserve arose when the Company repurchased some of its own shares. At that point, the nominal value of those shares was transferred to the capital redemption reserve. The merger relief reserve represents the premium of any shares issued in part consideration on acquisitions in accordance with section 612 of the Companies Act 2006.

# PHSC plc

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

*for the year ended 31 March 2023*

### 2. ACCOUNTING POLICIES – continued

#### Dividends

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

### 3. REVENUE

The revenue of the Company during the year was generated in the UK and derives from the management charge levied on the subsidiary companies and is recognised when the service is delivered.

### 4. LOSS BEFORE TAXATION

The profit before taxation is stated after charging:

	31.3.23	31.3.22
	£	£
Depreciation – owned assets	<u>13,446</u>	<u>14,069</u>

### 5. DIRECTORS' REMUNERATION

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

### 6. STAFF COSTS

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

	31.3.23	31.3.22
Directors	4	4
Consultants	1	1
Administration	2	2
	<u>7</u>	<u>7</u>
	£	£

The aggregate payroll costs of these persons were as follows:

Wages and salaries	163,747	161,689
Social security costs	21,265	20,234
Other pension costs	14,254	14,081
	<u>199,266</u>	<u>196,004</u>

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

### 7. AUDITOR'S REMUNERATION

Full details are given on page 39 of the Group accounts.

# PHSC plc

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

*for the year ended 31 March 2023*

### 8. FINANCE INCOME

	31.3.23	31.3.22
	£	£
<hr/>		
<b>Finance income</b>		
Interest received	<u>1,346</u>	<u>54</u>

### 9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Freehold improvements £	Plant and equipment £	Totals £
<hr/>				
<b>COST OR VALUATION</b>				
At 1 April 2021, 31 March 2022 and 31 March 2023	441,908	42,814	19,157	503,879
<hr/>				
<b>DEPRECIATION</b>				
At 31 April 2021	67,380	26,857	9,201	103,438
Charge for year	8,838	2,742	2,489	14,069
<hr/>				
At 31 March 2022	76,218	29,599	11,690	117,507
Charge for year	8,838	2,741	1,867	13,446
<hr/>				
At 31 March 2023	85,056	32,340	13,557	130,953
<hr/>				
<b>NET BOOK VALUE</b>				
<b>At 31 March 2023</b>	<u><b>356,852</b></u>	<u><b>10,474</b></u>	<u><b>5,600</b></u>	<u><b>372,926</b></u>
At 31 March 2022	365,690	13,215	7,467	386,372
At 31 March 2021	374,528	15,957	9,956	400,441

# PHSC plc

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

for the year ended 31 March 2023

### 10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in shares of subsidiary undertakings

	31.3.23 £	31.3.22 £
At 1 April	2,312,278	3,113,206
Impairment of investment in B2BSG	–	(683,688)
Impairment of investment in ISL	–	(117,240)
At 31 March	<u>2,312,278</u>	<u>2,312,278</u>

Every year the board assesses the carrying value of investment's on the statement of financial position and takes a view on whether it is realistic and justifiable. At 31 March 2022, the board had difficulty in predicting that the Security Division would return to the level of profit required to support the investment pertaining to B2BSG in the statement of financial position. Accordingly, the full carrying value of the investment in B2BSG of £683,688 was impaired. The carrying value of ISL was also reduced by £117,240 to reflect the plateau in spending on its services and rising costs in an inflationary environment. Having made these adjustments, the board feels that any further impairments as at 31 March 2023 are unnecessary with all investment carrying values being fully supported by expected future cash flows.

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

Name of Company	Class of shares held	Proportion of voting rights held	Registered office
B2BSG Solutions Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Camerascan CCTV Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Envex Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
In House The Hygiene Management Company Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Inspection Services (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Personnel Health & Safety Consultants Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Quality Leisure Management Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
QCS International Limited	Ordinary	100%	9 Cumbernauld Business Park, Cumbernauld, North Lanarkshire, Scotland G67 3JZ
RSA Environmental Health Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
Safetymark Certification Services Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR
SG Systems (UK) Limited	Ordinary	100%	The Old Church, 31 Rochester Road, Aylesford, Kent, ME20 7PR

For the year ended 31 March 2023, the Group made use of an exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The Parent Company under this exemption has given guarantees for all the above named subsidiaries where an audit would have been required by law for the year ended 31 March 2023.

# PHSC plc

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

for the year ended 31 March 2023

### 11. TRADE AND OTHER RECEIVABLES

	31.3.23 £	31.3.22 £
Amount owed by subsidiary undertakings	963,188	1,443,068
Social security and other taxes	–	1,405
Other debtors and prepayments	24,763	33,792
	<u>987,951</u>	<u>1,478,265</u>

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

### 12. CASH AND CASH EQUIVALENTS

	31.3.23 £	31.3.22 £
Bank	<u>506,560</u>	<u>91,555</u>

On 1 October 2008, PHSC plc entered into an unlimited multilateral guarantee with HSBC Bank plc. Until the middle of March 2023 each company within the Group operated its own current account, the balance on which was allowed to fluctuate according to trading conditions. Interest was only charged on a net overdrawn balance as the Group had the right to offset overdrawn accounts with accounts in credit across the Group. It is now the case that interest is charged on each account on a standalone basis necessitating funds to be moved between Group companies to avoid any interest charges. These movements are reflected through inter-company accounts which accounts for some relatively large inter-company balances at the year end. The Group has an overdraft facility of £50,000 which is secured by a debenture including a fixed charge over certain freehold and leasehold property; first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and first floating charge over all assets and undertakings both present and future. The overdraft is next scheduled for review in October 2023. On 31 March 2023, PHSC plc's Company balance was £506,560 (2022: £91,555) within the Group's cash at bank and in hand figure of £749,627 (2022: £649,363).

### 13. TRADE AND OTHER PAYABLES

	31.3.23 £	31.3.22 £
Trade payables	4,124	4,145
Social security and other taxes	8,264	4,956
Amounts owed to group undertakings	48,213	–
Other payables	18,220	1,168
Accruals	28,970	19,069
	<u>107,791</u>	<u>29,338</u>

# PHSC plc

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

*for the year ended 31 March 2023*

### 14. DEFERRED TAXATION

	31.3.23 £	31.3.22 £
Deferred taxation - accelerated capital allowances	<u>48,274</u>	<u>48,823</u>
	31.3.23 £	31.3.22 £
At 1 April	48,823	38,031
Deferred tax (credit)/charge in year	(549)	10,792
At 31 March	<u>48,274</u>	<u>48,823</u>

### 15. SHARE CAPITAL

Called up, allotted and fully paid	Number of shares (Nominal value of 10p each)	Ordinary shares £	Share premium £	Total £
At 31 March 2021 and 2022	14,677,257	1,467,726	1,916,017	3,383,743
Cancellation of shares held in Treasury	(2,830,238)	(283,022)	-	(283,022)
At 31 March 2023	<u>11,847,019</u>	<u>1,184,704</u>	<u>1,916,017</u>	<u>3,100,721</u>

The authorities granted by shareholders at the 2020 AGM and 2021 AGM were utilised to implement two share buyback programmes. The first was announced on 13 May 2021 and completed on 17 June 2021 and the second was announced on 21 January 2022 and completed on 16 March 2022. Over that period, the Company's broker was able to repurchase a total of 2,830,238 ordinary shares on the Company's behalf for a total consideration (including costs) of approximately £0.645m. The buyback programmes were largely funded from the surplus cash held on account following the sale of freehold premises previously held by a former subsidiary, in late September 2018. The repurchased shares were initially held in treasury but were subsequently cancelled on 6 May 2022. Accordingly, the number of ordinary shares in issue as at 31 March 2022 was 14,677,257 but subsequently reduced to 11,847,019 on 6 May 2022.

# PHSC plc

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

*for the year ended 31 March 2023*

### 16. RELATED PARTY DISCLOSURES

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

	31.3.23 £	31.3.22 £
Management charge from PHSC plc to subsidiary companies	<u>180,000</u>	<u>180,000</u>

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

	31.3.23 £	31.3.22 £
<b>Amounts owed by group undertakings</b>		
B2BSG Solutions Limited	170,456	2,039
Camerascan CCTV Limited	229,701	229,701
In House the Hygiene Management Company Limited	469,304	469,304
Inspection Services (UK) Limited	5,711	17,248
Personnel Health & Safety Consultants Limited	60,898	402,541
QCS International Limited	14,884	189,495
Quality Leisure Management Limited	–	80,795
RSA Environmental Health Limited	12,234	51,945
	<u>963,188</u>	<u>1,443,068</u>

#### Amounts owed to Group undertakings

Quality Leisure Management Limited	48,213	–
	<u>48,213</u>	<u>–</u>

#### PHSC plc received dividends from subsidiaries as follows:

Inspection Services (UK) Limited	–	15,000
Personnel Health & Safety Consultants Limited	40,000	350,000
QCS International Limited	50,000	180,000
Quality Leisure Management Limited	50,000	80,000
RSA Environmental Health Limited	25,000	50,000
	<u>165,000</u>	<u>675,000</u>

#### PHSC plc dividends were paid to directors as follows:

S A King	25,618	28,331
N C Coote	25,303	27,920
G N Webb MBE	195	194
	<u>51,116</u>	<u>56,445</u>



# PHSC plc

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

*for the year ended 31 March 2023*

### 17. FINANCIAL INSTRUMENTS

Set out below are the Company's financial instruments:

	31.3.23 £	31.3.22 £
<b>Financial assets at amortised cost</b>		
Trade and other receivables	987,951	1,478,265
	<u>987,951</u>	<u>1,478,265</u>
<b>Financial liabilities at amortised cost</b>		
Trade and other payables	107,791	29,338
	<u>107,791</u>	<u>29,338</u>
Due within 1 year	107,791	29,338
Due in over 1 year	–	–
	<u>107,791</u>	<u>29,338</u>

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

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

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

### 18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### **Impairment of investments**

An impairment of investments has the potential to significantly impact upon the Company's statement of comprehensive income for the year. The directors have estimated the value-in-use of investments by discounting estimated future cash flows in accordance with IFRS. Management have prepared forecasts for 2023-24 and then have assessed whether it is appropriate to assume that this level of performance will be maintained or improved over the following two years. Forecast performance for the third year, 2025-26, is then assumed to continue into perpetuity. The impairment review calculations use estimated future cashflows based on these forecasts with a terminal value being calculated using the year 3 expected cashflows. The cash flow projections are based on profits before tax and inter group management charges and have been discounted using a discount rate of 13% (2022: 11%). This takes into consideration the weighted average cost of capital (WACC) and factors in an increased risk connected with being a company quoted on AIM.

### 19. PARENT UNDERTAKING

There is no ultimate controlling party but the largest shareholder, Mr S A King currently owns 21.62% (2022: 21.62%) of the issued share capital of PHSC plc.

# PHSC plc

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the AGM of PHSC plc will be held at 10.00 a.m. on Thursday 28 September 2023 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 2023.
2. To declare a final dividend of 1.0p per ordinary share.
3. To re-elect Graham Webb 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 £394,900 during the period commencing on the date of the passing of this resolution and expiring at the conclusion of the AGM in 2024 or 15 months from the passing of this Resolution, whichever is earlier, but so that the authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted, rights to be granted or securities to be converted after such expiry and notwithstanding such expiry the directors may allot shares, grant rights or convert securities under such offers or agreements.

### Special resolutions

6. THAT, subject to and conditional upon the passing as an ordinary resolution of resolution number 5 set out in this notice of this meeting the directors be empowered under section 570 of the Companies Act 2006 (the "Act") to allot equity securities (as defined in section 560 of the Act) for cash; under the authority conferred by resolution 5 above as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record date(s) as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date(s), subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and
  - (b) the allotment (otherwise than under sub-paragraph (a) above) of equity securities and/or the sale and transfer of shares held by the Company in treasury (as the directors shall deem appropriate) to any person or persons up to an aggregate nominal amount of £236,940.

such power to expire at the conclusion of the AGM of the Company in 2024 or 15 months from the passing of this Resolution, whichever is earlier, unless such power is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities under such offers or agreements.

# PHSC plc

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

7. THAT, the Company be generally and unconditionally authorised to make market purchases (as defined in the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company (“ordinary shares”) on such terms and in such manner as the directors may from time to time determine, provided that:
- (a) the maximum number of ordinary shares authorised to be purchased shall be 1,777,053;
  - (b) the minimum price which may be paid for an ordinary share is 10 pence;
  - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share (as derived from the London Stock Exchange) for the five business days immediately preceding the date on which the ordinary share is contracted to be purchased;
  - (d) the minimum and maximum prices per ordinary share referred to in sub-paragraphs (b) and (c) of this resolution are in each case exclusive of any expenses payable by the Company;
  - (e) the authority conferred by this resolution shall expire at the conclusion of the AGM of the Company in 2024 or 15 months from the passing of this Resolution, whichever is earlier, unless such authority is varied, revoked or renewed prior to such time by the Company in general meeting by special resolution; and
  - (f) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiration of such authority.

By order of the board

SGH Company Secretaries Limited  
Secretary

10 August 2023

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

# PHSC plc

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

Notes:

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

If you wish to attend, speak and vote at the AGM you must be on the Company's register of members at 10.00 a.m. on 26 September 2023. This will enable us to confirm how many votes you have on a poll. Changes to the entries in the register of members after that time, or, if the AGM is adjourned, 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend, speak or vote at the AGM.

### **2. Appointment of proxies**

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

A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chair of the meeting or another person as your proxy using the proxy form are set out in the notes on the form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chair) and give your instructions directly to them. You may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares which you hold. If you wish to appoint more than one proxy you may photocopy the proxy form or alternatively you may contact the company secretary.

### **3. Appointment of proxy using hard copy proxy form**

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

To appoint a proxy using the proxy form, the form must be completed, signed and received by the Company Secretary at Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR no later than 48 hours (excluding non-working days) before the meeting. Any proxy forms (including any amended proxy appointments) received after the deadline will be disregarded.

The completed form may be returned by any of the following methods:

- Sending or delivering it to the company secretary, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR
- Scanning it and sending it by email to [shaun.zulafqar@shma.co.uk](mailto:shaun.zulafqar@shma.co.uk)

If the shareholder is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

### **4. Appointment of proxy by joint members**

In the case of joint holders, where more than one joint holder purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the company's register of members in respect of the joint holding (the first-named being the most senior).

### **5. Changing your instructions**

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. The amended instructions must be received by the Company Secretary by the same cut-off time noted above. Where you have appointed a proxy using a hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company Secretary on 020 7264 4546. If you submit more than one valid proxy form, the one received last before the latest time for the receipt of proxies will take precedence.

### **6. Termination of proxy appointments**

In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company Secretary, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR. Alternatively, you may send the notice by email to [shaun.zulafqar@shma.co.uk](mailto:shaun.zulafqar@shma.co.uk). In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer or attorney. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, your revocation notice must be received by the Company no later than 48 hours (excluding non-working days) before the meeting. If your revocation is received after the deadline, your proxy appointment will remain valid. However, the appointment of a proxy does not prevent you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

### **7. Communications with the Company**

Except as provided above, members who have general queries about the meeting should telephone the Company Secretary on 020 7264 4546 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of annual general meeting; or any related documents, to communicate with the Company for any purposes other than those expressly stated.

### **8. Issued shares and total voting rights**

As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of meeting, the Company's issued share capital comprised 11,847,019 ordinary shares of 10p each (excluding treasury shares). Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company at that time was 11,847,019.

# PHSC plc

## Proxy form for use by holders of ordinary shares in PHSC plc at the Annual General Meeting (“AGM”) to be held on Thursday 28 September 2023

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

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

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

being a member(s) of PHSC plc, appoint the chair of the meeting or .....  
..... (see note 1) as my/our proxy to attend and, on a poll, to vote for  
me/us and on my/our behalf as indicated below at the AGM and at any adjournment (see notes 2, 3 and 4).

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

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

Signature(s) ..... (see note 5) Date .....2023

### Notes:

1. If you wish to appoint as a proxy someone other than the chair of the meeting, please delete the words “The chair of the meeting” and insert the name of the other person (who need not be a member of the Company). All alterations made to the proxy form must be initialled by the signatory.
2. The completion and return of the proxy form will not prevent you from attending the AGM and voting in person should you subsequently decide to do so.
3. If you wish your proxy to cast all of your votes for or against a resolution you should insert an “X” in the appropriate box. If you wish your proxy to cast only some votes for and some against insert the relevant number of shares in the appropriate box. In the absence of instructions your proxy may vote or abstain from voting as they think fit on the specified resolutions, and, unless instructed otherwise, may also vote or abstain from voting as they think fit on any other business (including on a resolution to amend a resolution, to propose a new resolution or to adjourn the meeting) which may properly come before the meeting.
4. The “Vote Withheld” option is provided so that you can instruct your proxy to abstain from voting on a particular resolution. A “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of the votes “for” or “against” a resolution. The “At Discretion” option is provided so that you can give discretion to your proxy to vote or abstain from voting on a particular resolution as they think fit.
5. The proxy form must be signed by the shareholder or their attorney. Where the shareholder is a corporation the signature must be under seal or that of a duly authorised representative. In the case of joint holders, anyone may sign the form. The vote of the senior joint holder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names appear in the register of members for the joint shareholding.
6. To be valid, this proxy form and any power of attorney or other authority under which it is signed or a certified copy of such authority, must be deposited with the company secretary, Shakespeare Martineau, 6th Floor, 60 Gracechurch Street, London EC3V 0HR no later than 48 hours (excluding non-working days) before the time of the AGM or any adjournment thereof.





