2 August 2024

PHSC PLC

("PHSC", the "Company" or the "Group")

Final Results for the year ended 31 March 2024
Availability of Annual Report and Notice of Annual General Meeting

PHSC (AIM: PHSC), a leading provider of health, safety, hygiene and environmental consultancy services and security solutions to the public and private sectors, is pleased to announce its audited results for its financial year ended 31 March 2024.

Financial Highlights

- EBITDA of £0.510m compared to £0.366m in the prior year
- Statutory profit after tax of £0.249m compared to £0.243m in the prior year
- Group sales revenue of £3.778m, up from £3.438m in the prior year
- Group net assets of £3.275m after share buybacks, down from £3.638m
- Statutory earnings per share of 2.19p compared to 2.05p in the prior year
- Cash reserves of £0.488m at the year end and after share buybacks, down from £0.750m for the prior year
- Final dividend of 1.25p proposed, making a total of 2.00p for the year compared with 1.5p last year.

	31.3.24	31.3.23
	£	£
Profit before tax	332,317	304,598
Less: interest received	(17,309)	(1,346)
Add: goodwill impairment regarding RSA Environmental Health Limited (RSA)	120,000	-
Add: depreciation	74,515	63,034
EBITDA*	509,523	366,286

** 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.*

Annual General Meeting ("AGM") and Availability of full 2024 Annual Report

This year's AGM will be held at 10.00 a.m. on Thursday 19 September 2024 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR.

The full annual report and accounts for the financial year to 31 March 2024 and notice of AGM are expected to be posted to shareholders on or around 6 August 2024 and will shortly be made available to download from the Company's website at: www.phsc.plc.uk.

Dividend

The Company confirms that, subject to shareholder approval at its Annual General Meeting (AGM), a final dividend of 1.25p will be payable on 4 October 2024 to shareholders on the register on 20 September 2024.

For further information please contact:

PHSC plc
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Colin Rowbury

About PHSC

PHSC, through its trading subsidiaries, Personnel Health & Safety Consultants Ltd, RSA Environmental Health Ltd, QCS International Ltd, Inspection Services (UK) Ltd and Quality Leisure Management Ltd, provides a range of health, safety, hygiene, environmental and quality systems consultancy and training services to organisations across the UK. In addition, B2BSG Solutions Ltd offers innovative security solutions including tagging, labelling and CCTV.

The information contained within this announcement contains inside information for the purposes of Article 7 of EU Regulation No. 596/2014, which forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by virtue of the Market Abuse (Amendment) (EU Exit) Regulations 2019.

CHIEF EXECUTIVE OFFICER'S REPORT

For the first time since 2015, the Group is able to report unadjusted EBITDA in excess of £0.5m and our highest statutory profit over that nine-year period. This reflects a generally satisfactory performance across all subsidiaries, with some business streams naturally faring better than others in the current environment. Details about individual subsidiary performance are provided later in this report, along with general commentary surrounding the headline numbers.

Every year the board assesses the value of goodwill in the Group statement of financial position and forms a view as to whether such value remains realistic and justifiable. Following extensive evaluation, discussion and technical advice, the board has determined that it should write down the goodwill in respect of RSA by £120,000 and the carrying value of QLM by £94,890. These adjustments principally stem from a revision in the Group's weighted average cost of capital (WACC) utilised in the impairment assessment exercise which reflects the significant rise in interest rates and therefore the cost of debt. Accordingly, considering various factors, including a Bank of England base rate of 5.25% (at the date of assessment) there has been a consequent downgrading of valuations. There is no goodwill attached to B2BSG, and there is sufficient headroom in the valuations of our other trading subsidiaries to avoid a similar impairment requirement. The board remains confident in its valuations of all subsidiary companies.

As was the case in the previous year, the board embarked on a share buyback programme in accordance with the authority granted at the 2023 Annual General Meeting (AGM). In March 2024, we purchased a total of 753,384 ordinary shares into treasury for the purposes of subsequent cancellation. Since our first successful buyback programme in 2021, we have seen the Company's issued share capital fall from 14,677,257 to 10,280,853 representing a reduction of approximately 30%. The lower number of issued shares should, *inter alia*, make it more affordable to increase dividend payments going forwards.

The Group intends to seek renewed authority at the 2024 AGM for further potential share buybacks and, subject to this being granted, will consider in due course whether shareholders' best interests would be served by acting on such authority.

General business review and outlook

Systems Division

The principal activities continued to be those of providing consultancy and training services to a wide range of clients across different sectors.

Our position as a United Kingdom Responsible Person (acting on behalf of manufacturers of medical devices outside the UK) has also grown in the year, and benefits from long-term contracts and strong working relationships.

During the year, management secured an extension to the lease of the division's premises including its training facilities, from September 2024 for a further five years. This security of tenure enables the business to look to the future with confidence.

Safety Division

The principal activities of our subsidiaries in the Safety Division were the provision of health and safety consultancy and training services to public and private sector clients. Sectors where this division is particularly strong include leisure, education, housing, transport and health care.

Our primary income streams are supplemented by the preparation of expert witness reports in connection with criminal and other legal cases, and some editorial content for safety publications. We also carry out statutory examinations of plant and equipment, either directly for clients or via insurance intermediaries.

Security Division

There has been a well-publicised rise in cases of shoplifting reflecting a tougher economic climate for the average household. This has led some clients to upgrade their existing security hardware and to expand the number of items that are protected by electronic article surveillance devices such as tags and labels.

It is pleasing to report that for the first time in several years, the Security Division was a net contributor to Group profits. Management continued to concentrate on tight cost control and increasing margins where possible, along with generating higher sales from current and new customers. With the majority of clients in the retail sector, the focus has been to try to rely less on stores in the fashion trade where spend is discretionary, and more on supermarkets selling core and essential products.

Despite much of the year's revenue arising from one-off projects or now completed contracts, management are confident that the Security Division will make a positive contribution again in 2024-25.

Cash Reserves

Cash at bank reduced from £749,627 to £488,375. The fall in cash reserves reflects the final and interim dividend distributions of circa £193,000 coupled with buyback costs totalling approximately £419,000 since March 2023. Most of the combined outlay of approximately £612,000 was financed through the Group being strongly cash generative, with the balance drawn from pre-existing cash reserves.

The Group renewed its annual facility with HSBC Bank plc in the normal course in October 2023 but has no borrowings nor any expectation that such facility will need to be called upon.

Net asset value

The consolidated balance sheet net asset value (NAV) of £3.275m as at 31 March 2024 equates to approximately 29.7 pence per share which was in excess of the Company's then prevailing market share price of 26 pence, albeit the Company's shares were trading at a narrower discount to NAV than the prior year. Total assets at the end of the previous year were higher at £3.638m (circa 30.7 pence per share) versus a then prevailing market share price of 14.5 pence.

Outlook

The board is confident that the trading subsidiaries can each contribute to Group profits in 2024-25 and that it will be possible to modestly increase fees across most of the sectors in which we operate. Economists are predicting that inflation rates have now stabilised, and our expectation is that this should lead to a general improvement in consumer confidence and potentially higher investment in the services we offer.

Trading update

Unaudited management accounts for the Group for Q1 of the current financial year show total revenue of approximately £0.772m and EBITDA of around £0.015m (Q1 2023-24: £0.754m and £0.049m respectively). Expenditure during Q1 was affected by five-figure employment agency fees as the Group recruited five new staff, four full-time equivalents. One is a direct replacement and the others are to improve resources across the Group in anticipation of future increases in demand.

Dividends

A total dividend of 1.5p per ordinary share was paid in respect of the year ended 31 March 2023; £59,190 was paid in January 2023 and the balance of £110,253 in October 2023. An interim dividend of 0.75p in respect of the year ended 31 March 2024 was paid in January 2024 (£82,757) and a final dividend of 1.25p is proposed, subject to shareholder approval, for payment in October 2024, an increase of 0.5p on last year's total.

The cost of the 1.25p proposed final dividend is expected to be approximately £128,500. Our cash flow forecasts are predicting that this will be affordable, and dividends from our trading subsidiaries will be declared in order to cover any deficit in reserves within PHSC plc at that time.

In addition to the proposed final dividend to be put to shareholders for approval at the 2024 AGM, the directors have become aware of a technical breach of the Companies Act 2006 in respect of the interim dividend of 0.75p per ordinary share paid in January 2024 due to insufficient reserves in PHSC plc at the time of payment. Accordingly, a resolution will be proposed at the 2024 AGM to ratify the interim dividend payment and thereby resolve this issue.

PERFORMANCE BY TRADING SUBSIDIARY

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

Total revenues

Total revenues are reviewed each month across the Group to provide the board with a ready measure of how well the Group and underlying businesses are performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate. Consolidated Group revenues for the year increased by approximately 10%.

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

The Group's underlying EBITDA increased from £366,286 in 2022-23 to £509,523 in 2023-24.

Staff turnover

Staff turnover is monitored as the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. During the year, 5 people left the employment of the Group and 5 new staff were recruited, resulting in a total of 31 employees (excluding directors) at the year-end.

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. Interest received is attributable to the Group rather than any individual subsidiary such that it appears only in consolidated profits. Performance is based on those factors within a subsidiary director's control, so results are shown exclusive of management charges and taxation and any impairment judged necessary. The 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, and interest on bank deposits.

B2BSG Solutions Limited (B2BSG)

- 2024: revenues of £1,178,800 yielding a profit of £153,400
- 2023: revenues of £829,200 resulting in a loss of £9,100

The company's revenues grew from £829,200 in 2022-23 to £1,178,800 and this division saw a welcome return to profitability. The pre-tax and management charge profit of £153,400 compares very favourably to a loss of £9,100 in the previous year.

A large part of the additional circa 42% of sales revenue was attributed to hardware installed in a number of outlets for a national supermarket chain. This is likely to have been a one-off tranche of work. However, there was increased purchasing activity from other clients, as the retail sector demonstrated a modest recovery. The company was also able to increase the price of some of the consumable items supplied, where almost all of the product is imported from China.

General overhead costs have broadly been well managed and, with the exception of a necessary but unbudgeted spend on IT upgrades, were lower than the prior year. There was a one-off write-down in the value of slow-moving stock at the year end which reduced profits by around £8,000.

Staffing levels remained consistent, and management are confident that the business can continue to be profitable in the current financial year.

Inspection Services (UK) Limited (ISL)

- 2024: revenues of £224,400 yielding a profit of £15,400
- 2023: revenues of £198,100 yielding a profit of £7,000

In January 2024 the Company was sad to learn of the death in service of engineer surveyor Andrew Gowling, who had worked at ISL since 2009. Andrew had been absent from work since May 2023. We recruited a new staff member in June 2023, who has settled in well and has been able to introduce significant additional business to the company.

Revenues over the year rose by around 13% and was assisted by an ability to pass on some additional costs to clients and additional revenue generated from new contract wins. Costs were higher than anticipated due to the overlap of several months where the Company maintained the earnings of Mr Gowling during his illness whilst paying a full-time salary to his replacement.

The business model continues to be one of attaining most new work through introductions from insurance brokers in exchange for commission payments. Total commissions paid to brokers were very similar to those in 2022-23, demonstrating that most of the additional revenue has been secured from clients who placed their business directly with ISL.

In common with similar businesses in the sector, wages rose as a consequence of general inflationary pressures and the higher expectations of employees.

During the year, there was a complete revamp of ISL's website which assisted in maintaining visibility.

Personnel Health & Safety Consultants Limited (PHSCL)

- 2024: revenues of £862,300 yielding a profit of £364,400
- 2023: revenues of £806,700 yielding a profit of £268,300

Revenues rose year-on year by around 7%, assisted by PHSCL being able to pass on some of its increased costs to clients.

The company continues to promote its bespoke services. It has become clear that many clients appreciate the more personalised approach to business relationships that sets PHSCL apart from its competitors. This helps to engender loyalty, and the company is pleased by the very high volume of repeat business from many longstanding and loyal customers as well as its ability to attract new customers who prefer the tailored approach.

Recruiting and retaining the high-quality staff that are needed in the business continues to present challenges. It remains the case that attracting the right level of consultant expertise at an affordable cost is difficult. Despite this key challenge, PHSCL has shown that it is possible to grow both revenue and profit, and the outlook remains positive.

QCS International Limited (QCS)

- 2024: revenues of £776,900 yielding a profit of £249,700
- 2023: revenues of £834,600 yielding a profit of £272,100

Annual revenues of just under £777,000 were around £58,000 lower than last year but were broadly in line with expectations. Despite this reduced revenue and higher costs, QCS returned a profit for the year of almost £250,000.

The company continues to support customers with the implementation and maintenance of management systems across a number of international standards. With such a diverse range of clients, the company has little or no reliance on any particular contract nor on any single stream of its products and services.

Repeat business remains a cornerstone of consultancy activity with clients continuing to renew agreements alongside respectable growth in new work. The training suite posted modest growth in sales, which took time to recover from the pandemic. With its premises lease having been secured for a further five-year period, there is now the opportunity for management to take advantage of the potential upside from this facility in the year ahead.

Quality Leisure Management Limited (QLM)

- 2024: revenues of £391,600 yielding a profit of £112,300
- 2023: revenues of £402,400 yielding a profit of £137,500

QLM achieved annual revenues of £391,600 which is marginally lower than the prior year figure of £402,400. This yielded a profit of £112,300 which is lower than in 2022-23 but generally in line with expectations.

The marketplace is highly competitive, nevertheless income from retained clients using QLM's health and safety support service remains generally comparable with previous years. There are always fluctuations as leisure contracts are won and lost, and there is an increasing number of leisure trust clients being taken back under local authority management or similar.

Cost of sales remains a challenge, notably in relation to travel and accommodation. Where possible such expenses are recharged to clients but are minimised as far as possible for the benefit of all stakeholders.

Training is increasingly accessible to clients online. Whilst tuition income figures have remained relatively stable over the last five years, the effect of clients switching from in-person courses has seen a reduction in the expenses incurred for travel, hotels and subsistence. This impacts both the income and expenditure aspects of the business.

Auditing remains the largest revenue stream outside of the health and safety support service. 2023-24 saw an increase in reactive work, i.e. post-accident or an incident, for new or casual clients. This was particularly the case in the hotel and health club sectors and supplemented QLM's retained client proactive audit cycles. Ensuring the company remains agile enough to respond to reactive assignments will form part of QLM's development strategy for 2024-25 onwards.

Accident investigation and expert witness work is difficult to predict as an income stream as it is by nature reactive. QLM's expertise in the leisure sector makes the company the expert of choice for several law firms who require evaluation of liability post-injury. This experience separates QLM from its competitors in terms of securing assignments with enforcing authorities in terms of criminal matters, and insurers' solicitors when dealing with civil matters.

QLM will be welcoming new health and safety consultancy staff during 2024 as the company gears up to seek increased income and to ensure the continued value of the company to the Group.

RSA Environmental Health Limited (RSA)

- 2024: revenues of £344,600 yielding a profit of £35,800
- 2023: revenues of £365,900 yielding a profit of £69,800

Annual revenue showed a 5.8% decrease compared to 2022-23. This was mainly due to a significant reduction in the sales of training services across the year, and a downturn in the sales of food safety consultancy. Improved sales of other services provided by the company did not make up the shortfall.

Public training services, though profitable, were consistently not fully subscribed. The lower food safety consultancy income was due to a large client deferring much of their normal requirement as they were reorganising the size of their estate.

Expenditure in 2023-24 was higher than usual, with some one-off costs including exhibiting at the Independent Schools' Bursars Association conference, increased training and development fees for the company's own staff, and costs associated with changing a company car.

SafetyMARK services saw revenues continue to improve, with demand for such services remaining strong especially within the independent schools sector. There is a high retention rate with schools demonstrating that they see value in the services provided by the company. Increased marketing efforts in this sector will look to ensure that this trend continues.

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. Going forwards, the focus will be on those services which are most profitable. The effect of lower value work will be mitigated by increasing fees wherever possible. The company will also seek to recover some of its extra expenditure by raising its fee rates more generally.

PHSC plc

- 2024: net loss of £496,200 before management charges, exceptional costs, interest and dividends received
- 2023: net loss of £442,300 before management charges, exceptional costs, interest and dividends received

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

PRINCIPAL RISKS AND UNCERTAINTIES

Pandemic

Inevitably, there are legacy impacts of the pandemic, in particular on the high street where consumers' shopping habits have shifted towards online ordering. This was initially a concern for the Security Division where retail outlets form a significant part of its customer base but the subsequent rise in shoplifting cases in response to a tougher economic climate for the average household has provided a counterbalance. The Systems and Safety Divisions initially experienced a rebound in activity as clients caught up on projects that were deferred or cancelled in the previous year but this is now slowing. The Group's ability to deliver services remotely as an alternative to a face-to-face offering is more appealing to some customers and this alternative continues to be offered where appropriate.

Regulatory/Marketplace

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

The Group's Security Division works almost exclusively in the retail sector which continues to suffer from weak consumer demand on the high street and the move towards online purchasing. 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 investment value of its Security Division in 2021-22 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, PHSCL, ISL) have been re-certified to Cyber Essentials standard and all staff across the Group have participated in online training to reduce the risk of falling victim to phishing and other such scams. All head office data is backed up to the Cloud and removeable hard drives attached to the physical server are rotated on a daily basis.

Personnel

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

Geographical

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

Licences

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

SECTION 172 STATEMENT

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

The likely consequences of any decision in the long-term

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

The interests of the Group's employees

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

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

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

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).

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

Each subsidiary is focussed on its customers. Communication takes many forms and is structured according to how each subsidiary interacts with its client base. Channels of communication include quarterly newsletters in hard copy and/or sent electronically, customer roadshows, interaction via various social media platforms (X (formerly 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. The board is satisfied that the Group’s cash 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 respect. 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 2023-24 to be another successful year.

On behalf of the board

Stephen King

Group Chief Executive

1 August 2024

REPORT OF THE DIRECTORS

The directors present their report with the audited financial statements of PHSC plc (Company and Group) for the year ended 31 March 2024.

DIRECTORS

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

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

DIVIDENDS

A total dividend of 1.5p per ordinary share was paid in respect of the year ended 31 March 2023; £59,190 was paid in January 2023 and the balance of £110,253 in October 2023. An interim dividend of 0.75p in respect of the year ended 31 March 2024 was paid in January 2024 (£82,757) and a final dividend of 1.25p is proposed, subject to shareholder approval, for payment in October 2024, an increase of 0.5p on last year’s total.

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.

SHARE CAPITAL

The issued share capital of the Company as at the date of this report is 10,280,853 ordinary shares of 10p each. In August 2023, 812,782 shares were repurchased and subsequently cancelled, resulting in 11,034,237 shares being in issue at the year end. A further 753,384 were repurchased in March 2024 but were not cancelled until 11 June 2024. These changes to share capital are detailed in note 10 to the accounts.

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 1 August 2024, the following persons had notified the Company of an interest of 3% or more in its issued share capital.

Name	*No. of ordinary shares*	*% of issued share capital*
N C Coote	2,196,419	21.36
S A King	2,018,253	19.63
Unicorn Asset Management Limited and Unicorn AIM VCT II plc	1,249,057	12.15

James Faulkner	455,000	4.43

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.

ANNUAL GENERAL MEETING (AGM)

This year's AGM will be held at 10.00 a.m. on Thursday 19 September 2024 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR.

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.

Declaration of final dividend (Resolution 2)

As noted above, the directors recommend a final dividend of 1.25p per share. If approved, the final dividend will be paid on 4 October 2024 to shareholders on the register of members at the close of business on 20 September 2024.

Re-election of director (Resolution 3)

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

Reappointment of auditor (Resolution 4)

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

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

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

Resolution 5 gives the directors the necessary authority until the earlier of next year's AGM or 19 December 2025, to allot securities up to an aggregate nominal amount of £342,695.10 being equivalent to approximately one third of the Company's issued share capital as at the date of the notice of meeting.

Resolution 6 empowers the directors, until the earlier of next year's AGM or 19 December 2025, to allot such securities for cash otherwise than on a pro-rata basis to existing shareholders, up to an aggregate nominal amount of £205,617.06 being equivalent to approximately 20 per cent. of the Company's issued share capital as at the date of the notice of meeting. 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 19 December 2025 to purchase in the market up to a maximum of 1,542,128 ordinary shares (equivalent to approximately 15 per cent. of the issued share capital of the Company as at the date of the notice of meeting) 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.

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.

Interim Dividend Ratification and Release (Resolution 8, 9 and 10)

The board has become aware of two technical breaches of the Companies Act (the Act) in respect of the interim dividend of 0.75 pence per ordinary share paid by the Company on 12 January 2024 (the distribution).

By way of background, the Act provides that a public company may pay a dividend out of its distributable profits as shown in its last annual accounts circulated to members or, if interim accounts are used, those that have been filed at Companies House. The requirement for the relevant accounts to have been filed applies even if the company in question has sufficient distributable profits at the relevant time.

In addition to having sufficient distributable profits, the Act provides that a public limited company may only pay a dividend: (i) if at the time the dividend is paid the amount of its net assets is not less than the aggregate of its called-up share capital and undistributable reserves; and (ii) if, and to the extent that, the dividend does not reduce the amount of those net assets to less than the aggregate amount of its called up share capital and undistributable reserves.

Prior to paying any dividend the Company should therefore always ensure that it had the requisite level of distributable profits and the requisite level of net assets, by reference in each case to relevant accounts (as defined in the Act). Where relevant, the Company should prepare interim accounts showing the requisite level of distributable profits and, if appropriate, net assets and should file such interim accounts at Companies House prior to making the relevant dividend payments to satisfy the requirements of the Act.

The Company did not satisfy the procedural requirements of the Act before making the distribution. At the time the Company made the distribution, the Company did not have adequate distributable reserves or the requisite level of net assets. However, there were sufficient reserves and cash held in the Company's wholly-owned subsidiaries, which were capable of being distributed to the Company prior to the payment of such dividends in order to provide the Company with adequate reserves and net assets. The Company had also not prepared and filed with Companies House the relevant interim accounts showing this. Consequently, the distribution was made otherwise than in accordance with the Act.

The Company has been advised that, as a consequence of the distribution having been made otherwise than in accordance with the Act, it may have claims against past and present shareholders who were recipients of the distribution and against persons who were directors of the Company at the time of payment of the distribution.

To resolve this matter and to release all shareholders who have received the distribution from potential claims, it is proposed that the Company enter into a Shareholders' Deed of Release and a Directors' Deed of Release and put all potentially affected parties so far as possible in the position in which they were always intended to be had the distribution been made in accordance with the procedural requirements of the Act.

The consequence of the entry into these deeds by the Company is that the Company will be unable to make any claims against: (a) past and present shareholders of the Company who were recipients of the distribution; and (b) the directors (the relevant directors), in each case in respect of the payment of the distribution otherwise than in accordance with the Act.

The Ratification Resolution will also seek the specific approval of the shareholders of the entry into the Directors' Deed of Release and the Shareholders' Deed of Release.

The entry by the Company into the Directors' Deed of Release and the Shareholders' Deed of Release in connection will constitute related party transactions (as defined in the AIM Rules). This is because the relevant directors are considered related parties for the purposes of the AIM Rules in relation to the Directors' Deed of Release and each of the Substantial Shareholders (who are also each recipient shareholders) are considered related parties of the Company for the purposes of the AIM Rules in relation to the Shareholders' Deed of Release.

Accordingly, and as all the Company's directors are beneficiaries of the Directors' Deed of Release and/ or the Shareholders' Deed of Release, Strand Hanson Limited, acting in its capacity as nominated adviser to the Company, has confirmed that it considers the terms of such related party transactions are fair and reasonable insofar as the shareholders are concerned.

It was further noted that as all the Company's directors are interested in the matters relating to the distribution the Company's Articles of Association do not allow such directors to vote or count in the quorum. It is therefore proposed to make a change to the Articles of Association to allow shareholders to approve such conflict and allow them to vote and count in the quorum by way of ordinary resolution.

SUBSEQUENT EVENTS AND FUTURE DEVELOPMENTS

Based on the results for 2023-24, 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

1 August 2024

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	Note	**31.3.24** £	31.3.23 £
Non-Current Assets			
Property, plant and equipment	5	**501,775**	468,490
Goodwill	6	**2,115,045**	2,235,045
Deferred tax asset	14	**12,370**	11,554
		2,629,190	2,715,089
Current Assets			
Stock	8	**245,663**	200,169
Trade and other receivables	7	**768,844**	674,372
Cash and cash equivalents	9	**488,375**	749,627
		1,502,882	1,624,168
Total Assets		**4,132,072**	4,339,257
Current Liabilities			
Trade and other payables	11	**630,818**	531,422
Right of use lease liabilities	13	**38,464**	25,137
Current corporation tax payable		**79,270**	56,919
		748,552	613,478
Non-Current Liabilities			
Right of use lease liabilities	13	**40,865**	25,414
Deferred tax liabilities	14	**67,290**	62,223
		108,155	87,637
Total Liabilities		**856,707**	701,115

	Note		
Net Assets		**3,275,365**	3,638,142
Capital and reserves attributable to equity holders of the Group			
Called up share capital	10	**1,103,426**	1,184,704
Share premium account	10	**1,916,017**	1,916,017
Capital redemption reserve		**507,928**	426,650
Merger relief reserve		**133,836**	133,836
Treasury shares		**(209,977)**	-
Retained earnings		**(175,865)**	(23,065)
		3,275,365	3,638,142

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	Note	31.3.24 £	31.3.23 £
Continuing operations:			
Revenue	26	**3,778,750**	3,437,624
Cost of sales	15	**(1,763,210)**	(1,612,543)
Gross profit		**2,015,540**	1,825,081
Administrative expenses	15	**(1,580,532)**	(1,524,829)
Goodwill impairment	6	**(120,000)**	-
Other income	16	**-**	3,000
Profit from operations		**315,008**	303,252
Finance income	19	**17,309**	1,346
Profit before taxation		**332,317**	304,598
Corporation tax expense	20	**(83,552)**	(61,339)
Profit for the year after tax attributable to owners of the parent		**248,765**	243,259
Other comprehensive income		**-**	-
Total comprehensive income attributable to owners of the parent		**248,765**	243,259
Basic earnings per share from continuing operations (p)	21	**2.19p**	2.05p

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Treasury Shares £	Retained Earnings £	Total £
Balance at 1 April 2023	1,184,704	1,916,017	133,836	426,650	-	(23,065)	3,638,142
Profit for year attributable to equity holders	-	-	-	-	-	248,765	248,765
Dividends	-	-	-	-	-	(193,010)	(193,010)
Cancellation of own shares	(81,278)	-	-	81,278	(209,977)	(208,555)	(418,532)
Balance at 31 March 2024	1,103,426	1,916,017	133,836	507,928	(209,977)	(175,865)	3,275,365
Balance at 1 April 2022	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)	-
Balance at 31 March 2023	1,184,704	1,916,017	133,836	426,650	-	(23,065)	3,638,142

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	Note	31.3.24 £	31.3.23 £
Cash flows from operating activities:			
Cash generated from operations	I	**471,807**	318,153
Tax paid		**(56,951)**	(55,114)
Net cash generated from operating activities		**414,856**	263,039
Cash flows used in investing activities			
Purchase of property, plant and equipment		**(39,611)**	(41,386)
Interest received		**17,309**	1,346
Net cash used in investing activities		**(22,302)**	(40,040)
Cash flows used in financing activities			
Payment of lease liabilities		**(42,264)**	(4,265)
Purchase of own shares		**(418,532)**	-
Dividends paid to shareholders		**(193,010)**	(118,470)
Net cash used in financing activities		**(653,806)**	(122,735)
Net (decrease)/increase in cash and cash equivalents		**(261,252)**	100,264
Cash and cash equivalents at beginning of year		**749,627**	649,363
Cash and cash equivalents at end of year		**488,375**	749,627

Notes to the consolidated financial information

The consolidated financial information set out above does not constitute the Group's financial statements for the years ended 31 March 2023 or 31 March 2024 but is derived from those financial statements. Statutory financial statements for 2023 have been delivered to the Registrar of Companies and those for 2024 have been approved by the board and will be delivered after dispatch to shareholders. The auditors have reported on the 2023 and 2024 financial statements which carried unqualified audit reports, did not include any reference to any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

While the financial information included in this announcement has been compiled in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in the preparation of this announcement are consistent with those in the full financial statements.

DIVIDENDS

A total dividend of 1.5p per ordinary share was paid in respect of the year ended 31 March 2023; £59,190 was paid in January 2023 and the balance of £110,253 in October 2023. An interim dividend of 0.75p in respect of the year ended 31 March 2024 was paid in January 2024 (£82,757) and a final dividend of 1.25p is proposed, subject to shareholder approval, for payment in October 2024, an increase of 0.5p on last year's total.

The cost of the 1.25p proposed final dividend is expected to be approximately £128,500. Our cash flow forecasts are predicting that this will be affordable, and dividends from our trading subsidiaries will be declared in order to cover any deficit in reserves within PHSC plc at that time.

In addition to the proposed final dividend to be put to shareholders for approval at the 2024 AGM, the directors have become aware of a technical breach of the Companies Act 2006 in respect of the interim dividend of 0.75p per ordinary share paid in January 2024 due to insufficient reserves in PHSC plc at the time of payment. Accordingly, a resolution will be proposed at the 2024 AGM to ratify the interim dividend payment and thereby resolve this issue.