29 July 2021

PHSC PLC

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

Final Results for the year ended 31 March 2021
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, announces its audited results for the financial year ended 31 March 2021.

Financial Highlights

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

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

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

Annual General Meeting and Availability of Annual Report

This year's annual general meeting (AGM) will be held at 10.00 a.m. on Thursday, 30 September 2021 at The Old Church, 31 Rochester Road, Aylesford, Kent ME20 7PR.

The full annual report and accounts for the financial year to 31 March 2021 and notice of AGM are expected to be posted to shareholders on or around 5 August 2021 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 the AGM, the final dividend of 0.5p will be payable on 15 October 2021 to shareholders on the register on 1 October 2021.

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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 is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

STRATEGIC REPORT

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

GENERAL BUSINESS REVIEW, COVID-19 RESPONSES AND OUTLOOK

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

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

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

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

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

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

With cash at bank comfortably exceeding £1.0m at the year end, and the Group's share price remaining stubbornly well below the Group's net asset value per share, the board took the decision to utilise the authority granted by shareholders at last year's annual general meeting (AGM) to implement a share buyback programme. The programme was announced on 13 May 2021 and completed on 16 June 2021. Over that period the Company's broker was able to repurchase a total of 1,602,197 ordinary shares on the Company's behalf for a total consideration of approximately £0.325m. The buyback programme was largely funded from the surplus cash held on account following the sale of freehold premises previously held by a former subsidiary, in late September 2018. Accordingly, the number of ordinary shares not held in treasury now stands at 13,075,060.

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

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

Net asset value

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

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

Outlook

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

Trading update

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

Dividends

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

PERFORMANCE BY TRADING SUBSIDIARY

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

Total revenues

Total revenues are reviewed each month across the Group to provide the board with a ready measure of how well the Group and underlying businesses are performing relative to historical data. It enables any trend to be detected, understood and acted upon as appropriate. Consolidated Group revenues including government grant funding for the year decreased by 16% due to the combined effect of the pandemic and the reduction in our retail client portfolio.

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

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

Staff turnover

Staff turnover is generally monitored as the key asset of each subsidiary is its workforce. Recruiting replacement staff is an expensive task and it is not always possible to compensate for the specialised knowledge that may be lost when an employee departs. This KPI has been retained in 2020-21 but is less informative than normal due to reductions in staff numbers arising from the pandemic. In the year to 31 March 2021, the average number of staff employed across the Group was 41, down from 49 in the previous fiscal year. The decrease arose in part due to redundancies where it was determined that use of the CJRS to support an unsustainable role was inappropriate. There was also a degree of natural wastage where leavers were not replaced.

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

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

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

B2BSG Solutions Limited (B2BSG)

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

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

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

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

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

Inspection Services (UK) Limited (ISL)

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

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

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

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

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

Personnel Health & Safety Consultants Limited (PHSCL)

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

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

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

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

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

QCS International Limited (QCS)

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

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

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

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

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

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

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

Quality Leisure Management Limited (QLM)

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

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

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

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

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

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

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

RSA Environmental Health Limited (RSA)

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

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

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

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

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

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

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

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

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

PHSC plc

- 2021: net loss of £382,400 before management charges, exceptional costs, interest and dividends received
- 2020: net loss of £424,100 before management charges, exceptional costs, interest and dividends received

The Company incurs costs on behalf of the Group and does not generate any income. The costs incurred by the Company represent the costs of running an AIM quoted Group. The reduction in costs is due to changes in staffing arrangements between the Company and its subsidiaries and the 20% reduction in salaries accepted by the directors during the height of the pandemic.

PRINCIPAL RISKS AND UNCERTAINITIES

Pandemic

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

As government guidance evolved, the plan for each subsidiary was developed and updated by the directors to minimise the risk to staff, customers and business continuity. This was circulated to all staff and contained measures to maintain business productivity whilst protecting the health of employees, customers, and other stakeholders. The plan was monitored and revised in response to new information published by Public Health England. Guidance was also published on the website for staff, customers, and prospects to access.

Initially, the risk of employees contracting the virus, resulting in loss of key staff to illness was mitigated by working from home being encouraged wherever appropriate. Vulnerable workers were identified and asked to shield, and employees contacted regularly to monitor welfare. A skeleton staff remained in the head office to minimise numbers present whilst at the same time maintaining business continuity. Social distancing was exercised, and hand sanitiser provided. As lockdown restrictions eased, staff adopted a more flexible approach, working from home, the office or clients' premises as deemed appropriate. A key focus involved protecting PHSC's reputational risk by ensuring staff adhered to government guidelines.

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

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

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

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

Regulatory/Marketplace

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

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

In terms of the risk that the value of sterling deteriorates, the Group can take reasonable steps to hedge against the effects of a weaker pound, with customers being advised to consider pre-ordering and/or increasing their stock levels in respect of those products supplied by the Group's security division which they see as being critical to their business. Higher stock levels would have the double benefit of reducing the risk of an interruption to supply and mitigating the impact of price rises that would ultimately work their way through to all imported goods if there is a materially weaker exchange rate. The warehouse at B2BSG has the capacity for storage of additional products and close partnership with logistics providers will allow access to further warehousing space should that prove necessary.

The Group's security division works almost exclusively in the retail sector and this has continued to suffer as a result of weak consumer demand on the high street and the move towards on-line purchasing which has accelerated during the COVID-19 pandemic. Any further material deterioration in the retail sector and specifically in B2BSG's client base may have a significant negative effect on the company's and hence the Group's prospects.

Technological

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

Personnel

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

Geographical

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

Licences

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

SECTION 172 STATEMENT

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

The likely consequences of any decision in the long-term

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

The interests of the Group’s employees

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

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

The need to foster the Group’s business relationships with suppliers, customers, and others

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

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

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

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

The impact of the Group’s operations on the community and the environment

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

GOING CONCERN

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

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

On behalf of the board

Stephen King
Group Chief Executive

29 July 2021

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

	31.3.21	31.3.20
	£	£
Non-Current Assets		
Property, plant and equipment	**529,413**	592,539
Goodwill	**3,028,463**	3,278,463
Deferred tax asset	**2,017**	19,582
	3,559,893	3,890,584
Current Assets		
Stock	**259,760**	264,301
Trade and other receivables	**590,128**	885,947
Cash and cash equivalents	**1,237,483**	755,919
	2,087,371	1,906,167
Total Assets	**5,647,264**	5,796,751
Current Liabilities		
Trade and other payables	**518,245**	622,938
Right of use lease liabilities	**31,856**	34,071
Current corporation tax payable	**88,011**	40,250

	638,112	697,259
Non-Current Liabilities		
Right of use lease liabilities	**38,865**	69,912
Deferred tax liabilities	**50,988**	51,256
	89,853	121,168
Total Liabilities	**727,965**	818,427
Net Assets	**4,919,299**	4,978,324
Capital and reserves attributable to equity holders of the Group		
Called up share capital	**1,467,726**	1,467,726
Share premium account	**1,916,017**	1,916,017
Capital redemption reserve	**143,628**	143,628
Merger relief reserve	**133,836**	133,836
Retained earnings	**1,258,092**	1,317,117
	4,919,299	4,978,324

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2021

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

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Share Capital £	Share Premium £	Merger Relief Reserve £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2019	1,467,726	1,916,017	133,836	143,628	1,479,438	5,140,645
Loss for year attributable to equity holders	–	–	–	–	(15,549)	(15,549)
Dividends	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2020	1,467,726	1,916,017	133,836	143,628	1,317,117	4,978,324
Balance at 1 April 2020	1,467,726	1,916,017	133,836	143,628	1,317,117	4,978,324
Profit for year attributable to equity holders	–	–	–	–	87,747	87,747
Dividends	–	–	–	–	(146,772)	(146,772)
Balance at 31 March 2021	**1,467,726**	**1,916,017**	**133,836**	**143,628**	**1,258,092**	**4,919,299**

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

	31.3.21 £	31.3.20 £
Cash flows from operating activities:		
Cash generated from operations	**702,188**	346,847
Tax paid	**(37,183)**	(32,017)
Net cash generated from operating activities	**665,005**	314,830
Cash flows used in investing activities		
Purchase of property, plant and equipment	**(8,739)**	(39,529)
Disposal of fixed assets	**4,333**	2,250
Interest received	**999**	1,990
Net cash used in investing activities	**(3,407)**	(35,289)
Cash flows used in financing activities		
Payments on right of use assets	**(33,262)**	(19,316)
Dividends paid to shareholders	**(146,772)**	(146,772)
Net cash used in financing activities	**(180,034)**	(166,088)

Net increase in cash and cash equivalents	**481,564**	113,453
Cash and cash equivalents at beginning of year	**755,919**	642,466
Cash and cash equivalents at end of year	**1,237,483**	755,919

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

NOTES TO THE GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

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

Notes

The financial information set out above does not constitute the Group's financial statements for the years ended 31 March 2021 or 31 March 2020 but is derived from those financial statements. Statutory financial statements for 2020 have been delivered to the Registrar of Companies and those for 2021 have been approved by the board and will be delivered after dispatch to shareholders. The auditors have reported on the 2020 and 2021 financial statements which carried an unqualified audit report, did not include a 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 1.0p per ordinary share (£146,772) was paid in respect of the year ended 31 March 2020; half was paid in February 2020 and the balance in October 2020. An interim dividend of 0.5p in respect of the year ended 31 March 2021 was paid in February 2021 and a final dividend of 0.5p is proposed, subject to shareholder approval, for payment in October 2021, matching the total of 1.0p paid last year.