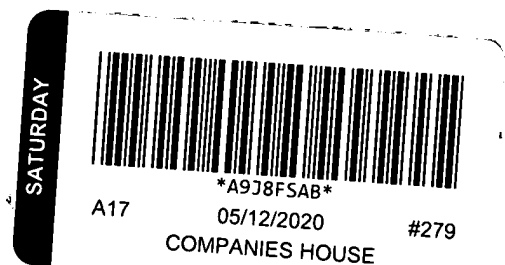


Registered number: 03293551

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
FOR
RSA ENVIRONMENTAL HEALTH LIMITED**



RSA ENVIRONMENTAL HEALTH LIMITED

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RSA ENVIRONMENTAL HEALTH LIMITED

COMPANY INFORMATION
for year ended 31 March 2020

DIRECTORS:

S A King
N C Coote
J Smith

SECRETARY:

SGH Company Secretaries Limited

REGISTERED OFFICE:

The Old Church
31 Rochester Road
Aylesford
Kent
ME20 7PR

REGISTERED NUMBER:

03293551 (England and Wales)

AUDITOR:

Crowe U.K. LLP
Chartered Accountants & Registered Auditors
Riverside House
40-46 High Street
Maidstone
Kent ME14 1JH

RSA ENVIRONMENTAL HEALTH LIMITED
for year ended 31 March 2020

REPORT OF THE DIRECTORS

The directors present their report with the audited financial statements of the Company for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company in the year under review were that of provision of health and safety consultancy services and training, together with the sale of associated health and safety products.

REVIEW OF BUSINESS

Revenue for the year was up by 3.4% to £418,100. Costs were effectively controlled, and this led to gross profit margin of 53%.

Integration of the Envex brand into RSA has brought in some much-needed skills which have aided service delivery to our existing clients, reducing the need to rely on contractors and associates.

Whereas in previous years the focus of the Company has been on the SafetyMARK brand, providing safety services to the school's sector, this year has seen the revenues fall into four main categories. Training, Health and Safety Consultancy, Food Safety Consultancy and SafetyMARK. This has widened the focus and spread some of the risk, leaving the Company potentially less exposed in the future.

SafetyMARK whilst remaining the main focus, saw revenues fall within the financial year to around £90,000. This can be partially accounted for by a number of postponed audits at short notice within the last quarter. This happened due to a combination of staffing changes at key schools and the start of the COVID 19 pandemic. There was also an impact on this sector by RSA diverting its attention to fulfilling a large contract in the hospitality sector. However, demand for safety services in schools remains strong and is expected to pick up when schools are fully open in September 2020.

Training has seen an increase due to the numbers of courses being provided to clients compared to the previous year. There continues to be demand for some of our public courses within the schools' sector and for our IOSH accredited school courses. Training was not unduly affected by COVID 19 in March, with only a couple of courses having to be postponed to the next financial year

Health and safety consultancy saw the biggest change in demand for the year 2019-20 as a result of the large contract in the hospitality sector previously mentioned. This generated significant revenues for RSA but was very heavy in administrative terms.

Food safety consultancy saw strong demand but the impact of COVID 19 saw an end to the ability to continue with auditing of our regular clients. All clients have stated that they will restore the audit programmes as soon as the various sectors are allowed to open.

RSA ENVIRONMENTAL HEALTH LIMITED
for the year ended 31 March 2020

REPORT OF THE DIRECTORS

KEY PERFORMANCE INDICATORS	Notes	31.3.20 £	31.3.19 £
Earnings before interest, tax, depreciation and amortization (EBITDA)		64,470	31,694
Add back: management charge from PHSC plc		24,000	35,000
	a	<u>88,470</u>	<u>66,694</u>
Turnover		418,136	404,316
Gross profit		223,273	211,155
Gross profit margin (gross profit / turnover)	b	53%	52%
Trade debtors		108,716	72,304
Trade debtors excluding VAT		90,597	60,253
Debtor days (trade debtors excluding VAT / turnover x 365)	c	79	54
Current assets		160,183	180,095
Less: amounts owed by group companies		<u>(1,867)</u>	<u>(4,392)</u>
		<u>158,316</u>	<u>175,703</u>
Current liabilities		561,814	543,023
Amounts owed to group companies		<u>(485,790)</u>	<u>(486,233)</u>
		<u>76,024</u>	<u>56,790</u>
Current ratio (current assets / current liabilities) (both excluding group balances)	d	2.1	3.1
Staff statistics (excluding directors)	e		
Joiners during the year		-	1
Leavers during the year		-	-
Average length of service per staff member		6 years	5 years

Notes:

- (a) The key figure for profitability used by the directors and management team is EBITDA with the management charges from PHSC plc added back. This figure forms the basis of announcements of the consolidated group results to investors.
- (b) The gross profit margin is tracked monthly as this reflects the core profitability of the Company and illustrates the financial success of the services being provided by RSA. The 1% increase in the gross profit margin was achieved by a reduction in the use of sub-contractors to deliver work.
- (c) The debtor days shows how quickly sales are being converted into cash. The relatively high debtor days figure of 79 was a result of one customer owing £34k at the year end. The debt has since been paid.
- (d) The current ratio is used to monitor the liquidity of RSA. The figure of 2.1 suggests that RSA can comfortably meet its short-term obligations.
- (e) RSA has enjoyed a stable work force during the year ended 31 March 2020.

RSA ENVIRONMENTAL HEALTH LIMITED
for year ended 31 March 2020

REPORT OF THE DIRECTORS

DIVIDENDS

A dividend of £75,000 (2019 – £30,000) was paid to the holding company, PHSC plc, during the year.

DIRECTORS

The directors during the year under review were:

S A King
N C Coote
J Smith

INTERNAL CONTROLS

The directors acknowledge their responsibilities for the Company's systems of internal control. The directors consider all major business and financial risks and resolve strategic decisions. Accepting that no system of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the Company are appropriate to the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Company's strategy are subject to a number of risks and uncertainties. As the Company is a 100% subsidiary of PHSC plc, it is appropriate to consider these in the context of the Group as a whole. Further discussion is provided in note 1 to the financial statements in the Group's annual report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable laws and regulations.

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

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

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

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

GOING CONCERN

The COVID-19 pandemic had an immediate effect on the trading activities of RSA. Training courses had to be cancelled, work in schools put on hold and most staff furloughed. In terms of profit, a relatively small impact was felt in the year ended 31 March 2020 but forecasts for the new financial year have had to be significantly revised. Mitigating factors are the continuation of subscription income such as SafetyMARK and appointed safety advisor services, the resurrection of advice to schools as they reopen and the government job retention and business grant schemes. The rolling forecast shows that the RSA expects to return to profitability by the end of 31 March 2021.

RSA ENVIRONMENTAL HEALTH LIMITED
for year ended 31 March 2020

REPORT OF THE DIRECTORS

The Company is fortunate that it can access support from its holding company, PHSC plc with its considerable financial resources. Consequently, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

PROVISION OF INFORMATION TO THE AUDITOR

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

- there is no relevant audit information of which the Company'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.

The above report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

AUDITOR

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor.

ON BEHALF OF THE BOARD:



S A King - Director
19 August 2020

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF RSA ENVIRONMENTAL HEALTH LIMITED

Opinion

We have audited the financial statements of RSA for the year ended 31 March 2020 which comprise the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) adopted by the European Union. This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF RSA ENVIRONMENTAL HEALTH LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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



Mark Anderson
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Riverside House, 40 – 46 High Street, Maidstone, Kent, ME14 1JH

18 November 2020

RSA ENVIRONMENTAL HEALTH LIMITED
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2020

	Note	31.3.20 £	31.3.19 £
Revenue	3	418,136	404,316
Cost of sales		<u>(194,863)</u>	<u>(193,161)</u>
GROSS PROFIT		223,273	211,155
Administrative expenses		<u>(163,784)</u>	<u>(179,461)</u>
PROFIT BEFORE TAXATION	4	59,489	31,694
Income tax expense	8	<u>(11,319)</u>	<u>(6,038)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		48,170	25,656
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>48,170</u>	<u>25,656</u>
Attributable to equity holders		48,170	25,656

All amounts relate to continuing activities.

Accounting policies and notes on pages 12 to 22 form part of these financial statements

RSA ENVIRONMENTAL HEALTH LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 March 2020

	Note	31.3.20 £	31.3.19 £
NON-CURRENT ASSETS			
Property, plant and equipment	10	14,591	2,270
Goodwill	9	458,713	458,713
		<u>473,304</u>	<u>460,983</u>
CURRENT ASSETS			
Inventory	11	400	400
Trade and other receivables	12	112,618	78,762
Cash at cash equivalents		47,164	100,933
		<u>160,182</u>	<u>180,095</u>
TOTAL ASSETS		633,486	641,078
CURRENT LIABILITIES			
Trade and other payables	13	540,768	537,077
Right of use liabilities	14	4,210	-
Current corporation tax payable		10,871	5,946
		<u>555,849</u>	<u>543,023</u>
NON-CURRENT LIABILITIES			
Right of use liabilities	14	5,965	-
Deferred taxation	15	663	216
		<u>6,628</u>	<u>216</u>
TOTAL LIABILITIES		562,477	543,239
NET ASSETS		<u>71,009</u>	<u>97,839</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Called up share capital	16	840	840
Retained earnings		70,169	96,999
		<u>71,009</u>	<u>97,839</u>

Approved and authorised for issue by the Board on 19 August 2020 and signed on its behalf by:



S A King – Director

Accounting policies and notes on pages 12 to 22 form part of these financial statements

RSA ENVIRONMENTAL HEALTH LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2020

	Share Capital £	Retained Earnings £	Total £
Balance at 1 April 2018	840	101,343	102,183
Total comprehensive income	-	25,656	25,656
Dividends paid	-	(30,000)	(30,000)
Balance at 31 March 2019	<u>840</u>	<u>96,999</u>	<u>97,839</u>
 Balance at 1 April 2019	 840	 96,999	 97,839
Total comprehensive income	-	48,170	48,170
Dividends paid	-	(75,000)	(75,000)
Balance at 31 March 2020	<u>840</u>	<u>70,169</u>	<u>71,009</u>

Accounting policies and notes on pages 12 to 22 form part of these financial statements

RSA ENVIRONMENTAL HEALTH LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 March 2020

	Note	31.3.20 £	31.3.19 £
Cash flows from/(used by) operating activities:			
Cash generated from/(used by) operations	I	34,516	(10,756)
Tax paid		(5,946)	-
Net cash generated from/(used by) operating activities		<u>28,570</u>	<u>(10,756)</u>
Cash flows used in investing activities			
Purchase of property, plant and equipment		(3,830)	(541)
Net cash used in investing activities		<u>(3,830)</u>	<u>(541)</u>
Cash flows used by financing activities			
Dividends paid to Group shareholders		(75,000)	(30,000)
Payments on right of use assets		(3,509)	-
Net cash used by financing activities		<u>(78,509)</u>	<u>(30,000)</u>
Net (decrease)/increase in cash and cash equivalents		(53,769)	142,230
Cash and cash equivalents at beginning of year		100,933	(41,297)
Cash and cash equivalents at end of year		<u>47,164</u>	<u>100,933</u>

NOTES TO THE STATEMENT OF CASH FLOWS for the year ended 31 March 2020

	31.3.20 £	31.3.19 £
I. CASH GENERATED FROM/(USED BY) OPERATIONS		
Operating profit – continuing operations	59,489	31,694
Depreciation charge	4,981	304
Loss on disposal fixed assets	212	-
(Increase)/decrease in trade and other receivables	(33,857)	(19,087)
(Decrease)/increase in trade and other payables	3,691	(23,667)
Cash generated from/(used by) operations	<u>34,516</u>	<u>(10,756)</u>

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020

1. BASIS OF PREPARATION

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

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

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate and in accordance with Financial Reporting Council guidance have provided reasons for this opinion in the going concern section of the Directors Report on page 4.

The following standards and interpretations relevant to the Company are in issue but are not yet effective and have not been applied in the financial statements. In some cases, these standards and guidance have not been endorsed for use in the European Union.

<i>Standard</i>	<i>Effective date, annual period beginning on or after</i>
Conceptual Framework and Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IFRS 3: <i>Business Combinations</i>	1 January 2020
Amendments to IAS 1 and IAS 8: <i>Definition of Material</i>	1 January 2020

The new standards, listed above, are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2020

2. ACCOUNTING POLICIES

Revenue

Revenue which excludes value added tax, represents the amount receivable in respect of services provided to customers.

The Company provides services such as one-off consultancy, training, safety inspections and house fitness reports. Revenue from services is recognised as the services are provided as this is the point at which the performance obligations are fulfilled. In respect of services invoiced in advance, amounts are deferred until provision of the service.

The Company also provides annual contracts for food safety consultancy. Revenue is recognised evenly across the length of the contract as this is considered the best estimate of the fulfilment of the performance obligations.

Customer payment terms are generally 30 days from the date of invoice for all revenue streams.

Deferred income tax

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

Segmental reporting

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

Pensions

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

Property, plant and equipment

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

Furniture, fittings and equipment – 25% reducing balance

Leases

The Company has applied IFRS 16 with a date of initial application of 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The cumulative effect of initial application is recognised in retained earnings at 1 April 2019. The details of the change in accounting policy are disclosed below.

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2020

ACCOUNTING POLICIES continued

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to IFRS 16, the Company elected to reassess whether there is a lease for all contracts in place on or after 1 April 2019. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied to contracts in place or entered into on or after 1 April 2019.

As lessee, the Company previously classified leases as operating, or finance leases based on its assessment of whether the lease transferred significantly all of the risks and remains incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises rights-of-use assets and liabilities for most leases ie. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of equipment and services.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at a cost of capital of 5.0%. The effect of discounting was immaterial to the financial statements, so the values recorded represent the gross undiscounted amounts.

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

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

On transition to IFRS 16, the Company recognised an additional £13,684 of right-of-use assets and the impact of discounting was considered immaterial so lease liabilities of £13,684 were also recognised. Therefore, no adjustment to equity at 1 April 2019 was made.

Inventory

Inventory is valued at the lower of cost and net realisable value after making allowance for obsolete and slow-moving stocks. The costs of inventory are calculated on a first in first out basis.

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2020

ACCOUNTING POLICIES continued

Intangible assets

Goodwill arose on the hive up of the business and assets of In House Hygiene Management Company Limited to RSA on 31 March 2010 and represents the excess of the cost of acquisition over the net asset values of the interests acquired. Such goodwill is capitalised as an intangible asset and is stated at cost less accumulated amortisation and impairment losses.

Financial instruments

Trade receivables and contract assets are initially stated at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amounts for accounts receivable are net of allowances for expected credit losses. The Company evaluated the expected credit losses on trade receivables by reviewing historical data. Individual receivables are only written off when management deems them not collectible.

Impairment of Intangible Assets and Property, Plant and Equipment

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

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

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

3. REVENUE

The revenue of the Company during the year was generated in the United Kingdom and the revenue of the Company for the year derives from the same class of business as noted in the Directors' Report.

4. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:	31.3.20	31.3.19
	£	£
Depreciation – owned assets	1,472	304
Depreciation – right of use assets	<u>3,509</u>	<u>11,797</u>

RSA ENVIRONMENTAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2020**

5. DIRECTORS' REMUNERATION

	31.3.20	31.3.19
	£	£
Directors' emoluments and other benefits	48,560	50,497
Pension contributions	2,978	2,980
	<u>51,538</u>	<u>53,477</u>

6. STAFF COSTS

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

Directors	3	3
Consultants	5	5
Administration	1	1
	<u>9</u>	<u>9</u>

The aggregate payroll costs of these persons were as follows:

	31.3.20	31.3.19
	£	£
Wages and salaries	197,594	199,510
Social security costs	19,710	20,149
Other pension costs	7,208	7,332
	<u>224,512</u>	<u>226,991</u>

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

7. AUDITOR'S REMUNERATION

During the year the Company obtained the following services from the Company's auditors as detailed below:

	31.3.20	31.3.19
	£	£
Audit of the Company's annual financial statements	<u>3,000</u>	<u>3,000</u>

RSA ENVIRONMENTAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2020**

8. INCOME AND DEFERRED TAX CHARGES

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.3.20	31.3.19
	£	£
Current tax:		
UK corporation tax at 19% (2019 – 19%)	10,872	5,946
Corporation tax under provision in respect of prior years	-	-
Total current tax	<u>10,872</u>	<u>5,946</u>
Deferred tax:		
Origination and reversal of timing differences	447	92
Total tax charge	<u>11,319</u>	<u>6,038</u>

Factors affecting the tax charge

The tax assessed for the year is higher (2019 –) than the standard rate of corporation tax in the UK.

The difference is explained below:

	31.3.20	31.3.19
	£	£
Profit on ordinary activities before tax	<u>59,489</u>	<u>31,694</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	11,303	6,022
Effects of:		
Expenses not deductible for tax purposes	16	16
Total tax charge	<u>11,319</u>	<u>6,038</u>

9. GOODWILL

Goodwill
£

COST

At 1 April 2019 and 31 March 2020

471,213

AMORTISATION

At 1 April 2019 and 31 March 2020

12,500

NET BOOK VALUE

At 31 March 2019 and 31 March 2020

458,713

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2019

GOODWILL continued

When considering impairment, the directors have taken the cash flow forecast prepared for the year ended 31 March 2021 and used the expected cash flows for that year in perpetuity as the cash flows generated are expected to continue for the foreseeable future. Adoption of a zero-growth rate has been incorporated based on current forecasts formulated after a review of revenue expectations from key accounts, though every avenue is being explored to develop each area of the Company's business to achieve growth.

	Margin in carrying value £	Annual cash flow at which impairment is required £	WACC at which impairment is required %
Goodwill in respect of In House and Envex	331,692	63,963	28%

10. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £	Right of Use Assets £	Total £
COST OR VALUATION			
At 1 April 2019 (previously stated)	6,762	-	6,762
Adjustment in relation to adoption of IFRS16	-	13,684	13,684
Additions	3,830	-	3,830
Disposals	(2,663)	-	(2,663)
As at 31 March 2020	<u>7,929</u>	<u>13,684</u>	<u>21,613</u>
DEPRECIATION			
At 1 April 2019	4,492	-	4,492
Charge for the year	1,472	3,509	4,981
Disposals	(2,451)	-	(2,451)
At 31 March 2020	<u>3,513</u>	<u>3,509</u>	<u>7,022</u>
NET BOOK VALUE			
At 31 March 2020	<u>4,416</u>	<u>10,175</u>	<u>14,591</u>
At 31 March 2019	<u>2,270</u>	<u>-</u>	<u>2,270</u>

11. INVENTORY

	31.3.20 £	31.3.19 £
Finished goods	<u>400</u>	<u>400</u>

There has been no change in the level of finished goods during the year and thus no amount has been expensed in the year.

RSA ENVIRONMENTAL HEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2020

12. TRADE AND OTHER RECEIVABLES

	31.3.20	31.3.19
	£	£
Trade receivables	108,716	72,304
Amounts owed by group undertakings	1,867	2,067
Other receivables, prepayments and accrued income	2,035	4,391
	<u>112,618</u>	<u>78,762</u>

The recoverability of receivables is not considered to be a significant issue to the Company. Many customers have a long-standing relationship with RSA. A clearly defined procedure for credit control is in place and the level and age of debtors are reviewed on a regular basis by both the company directors and by the board of PHSC plc.

The ageing analysis of the trade receivables is as follows:

	31.3.20	31.3.19
	£	£
Current	30,127	36,479
One month old	22,691	29,587
Two to six months old	55,607	6,238
Over six months old	4,194	-
	<u>112,619</u>	<u>72,304</u>

Some of the trade receivables are overdue but none are considered impaired as at 31 March 2020 (2019: £nil). The receivables due at the end of the financial year relate to trading customers.

13. TRADE AND OTHER PAYABLES

	31.3.20	31.3.19
	£	£
Trade payables	4,027	3,143
Social security and other taxes	23,110	21,254
Amount owed to group undertakings	485,790	486,233
Other payables	1,207	1,717
Accruals and deferred income	26,634	24,730
	<u>540,768</u>	<u>537,077</u>

On 1 October 2008, the Company and the PHSC plc Group entered into an unlimited multilateral guarantee with HSBC plc. This facility is reviewed annually. The Company's balance as at 31 March 2020 was £47,164 (2019: £100,933) within the Group's cash at bank and in hand figure of £755,919 (2019: £642,466).

RSA ENVIRONMENTAL HEALTH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2020**

14. LEASES

	31.3.20	31.3.19
	£	£
Amounts due in under one year – right of use liabilities	4,210	-
Amounts due in over one year – right of use liabilities	5,965	-
	<u>10,175</u>	<u>-</u>

15. DEFERRED TAXATION LIABILITY

	31.3.20	31.3.19
	£	£
Deferred taxation liability	<u>663</u>	<u>216</u>
	Deferred	Deferred
	tax	tax
	£	£
At 1 April 2019	216	124
Deferred tax debit in year (see note 8)	447	92
At 31 March 2020	<u>663</u>	<u>216</u>

16. SHARE CAPITAL

	31.3.20	31.3.19
	£	£
Authorised		
10,000 ordinary shares – nominal value £0.10	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid	31.3.20	31.3.19
	£	£
8,400 ordinary shares – nominal value £0.10	<u>840</u>	<u>840</u>

17. RELATED PARTY DISCLOSURES

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

	31.3.20	31.3.19
	£	£
Management charge from PHSC plc to RSA	<u>24,000</u>	<u>35,000</u>

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

RSA ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2020

RELATED PARTY DISCLOSURES (continued)

	31.3.20 £	31.3.19 £
Amounts owed by group undertakings		
Inspection Services (UK) Limited	-	949
Personnel Health & Safety Consultants Limited	892	-
Quality Leisure Management Limited	975	3,443
	<u>1,867</u>	<u>4,392</u>
Amounts owed to group undertakings		
Envex Company Limited	15,000	15,000
In House The Hygiene Management Company Limited	469,305	469,305
Personnel Health & Safety Consultants Limited	-	79
PHSC plc	1,185	1,849
QCS International Limited	300	-
	<u>485,790</u>	<u>486,233</u>

18. FINANCIAL INSTRUMENTS

Set out below are the Company's financial instruments:	31.3.20 £	31.3.19 £
Financial assets at amortised cost		
Trade and other receivables	112,619	78,762
Cash and cash equivalents	47,164	100,933
	<u>159,783</u>	<u>179,695</u>
Financial liabilities at amortised cost		
Trade and other payables	540,768	537,077
	<u>540,768</u>	<u>537,077</u>
Due within 1 year	540,768	537,077
Due in over 1 year	-	-
	<u>540,768</u>	<u>537,077</u>

The Company's principal financial instruments comprise cash, short terms borrowings and various items such as trade receivables, trade payables etc. that arise directly from operations. The main purpose of these financial instruments is the funding of the Company's trading activities.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

The source currency of the assets and liabilities of the Company are held in sterling and all transactions are in sterling. The Company is not therefore exposed to currency risk.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available from current banking facilities to meet foreseeable needs and to invest cash assets safely and profitably. The Company operates within the group facility provided to PHSC plc by HSBC plc.

RSA ENVIRONMENTAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2020

FINANCIAL INSTRUMENTS (continued)

Credit risk

The Company's principal financial assets are cash and trade receivables. The credit risk associated with the cash is limited and the risk of non-payment through credit sales is monitored very closely by the directors.

Fair values

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

19. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- Recoverability of trade debtors: the directors annually assess whether a bad debt provision is required for any bad or doubtful debtor balances.

20. PARENT UNDERTAKING

PHSC plc, incorporated in England and Wales, is the ultimate parent company of the group. There is no ultimate controlling party but the largest shareholder, Mr S A King, group chief executive, owns 21.73% (2019: Mr S A King 21.73%) of the issued share capital of PHSC plc. The parent company operates within the UK and its accounts may be obtained from the same registered office address as noted on page 1 of these accounts.

RSA ENVIRONMENTAL HEALTH LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2020

	31.3.20	31.3.19
	£	£
Revenue	418,136	404,316
Cost of sales		
Consultants - salaries	139,428	135,653
Consultants - social security	13,553	13,631
Consultants - employer's pension	3,959	3,885
Sub-contractors	18,012	23,678
Other direct costs	19,911	16,314
	<u>(194,863)</u>	<u>(193,161)</u>
GROSS PROFIT	223,273	211,155
Expenditure		
Rent and service charge	435	789
Light and heat	1,257	1,485
Repairs and maintenance	1,073	601
Equipment and room hire	56	923
Directors' - salaries	49,170	48,194
Directors' - social security	5,510	5,389
Directors' - pension contributions	2,978	2,980
Administrative staff - salaries	8,996	15,663
Administrative staff - social security	647	1,129
Administrative staff - employer's pension	271	467
Staff training, welfare and recruitment	2,052	1,452
Class 1A National Insurance contribution	2,204	2,736
Telephone	4,006	4,284
Printing, postage and stationery	1,287	1,570
Marketing and advertising	6,096	3,709
Other office expenses	8	657
Auditor remuneration	3,000	3,000
Legal and professional fees	-	61
Bank and credit card charges	382	360
Motor vehicle, travel, subsistence and accommodation	37,672	36,616
Entertaining	856	84
IT	5,996	10,886
Subscriptions and donations	639	1,122
Management charge	24,000	35,000
	<u>(158,591)</u>	<u>(179,157)</u>
	64,682	31,998
Depreciation – office equipment	(1,472)	(304)
Depreciation – right of use assets	(3,509)	-
Loss on disposal	(212)	-
PROFIT BEFORE TAX	<u>59,489</u>	<u>31,694</u>

This page does not form part of the statutory financial statements