

Company No. SC104627

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
FOR
QCS INTERNATIONAL LIMITED**



QCS INTERNATIONAL LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS for the year ended 31 March 2016

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditor	6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity for the Year	9
Statement of Cashflows	10
Notes to the Financial Statements	11
Trading and Profit and Loss Account	19

QCS INTERNATIONAL LIMITED

**COMPANY INFORMATION
for year ended 31 March 2016**

DIRECTORS:

S A King
N C Coote
I Phillips

SECRETARY:

L E Young (resigned 1 April 2016)
Lorraine Young Company Secretaries Limited
(appointed 1 April 2016)

REGISTERED OFFICE:

9 Cumbernauld Business Park
Cumbernauld
North Lanarkshire
Scotland
G67 3JZ

REGISTERED NUMBER:

104627 (Scotland)

AUDITOR:

Crowe Clark Whitehill LLP
Chartered Accountants & Registered Auditors
10 Palace Avenue
Maidstone
Kent
ME15 6NF

QCS INTERNATIONAL LIMITED
for year ended 31 March 2016

REPORT OF THE DIRECTORS

The directors present their report with the audited financial statements of the Company for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company in the year under review was that of provision of consultancy and training services to industry.

REVIEW OF BUSINESS

In the financial year 2015/16, QCS maintained the turnover achieved in 2014/15 but experienced a fall in profits. Projected revenues and margins were based on increased training and consultancy sales expected to be generated by the updated standards ISO 9001 and ISO 14001 that had been due for release in July 2015. Consultancy and training associated with these standards are core to the QCS business model.

There was a delay by the International Standards Organisation and the British Standards Institution in publishing the new standards, which were eventually released in late September 2015. This caused a three-month drop in sales as clients were forced to defer their consultancy and training activity until the updated standards became available. The delay was not something that QCS could have predicted.

QCS was a forerunner from September onwards in the design, marketing and delivery of training courses and consultancy to the ISO standards. This is evidenced by the high number of public training courses, in house training courses and new consultancies delivered. To have completed the financial year with a turnover of £527,970 and an operating profit of £89,741 against the background of an enforced hiatus in the ability to provide a full service offering demonstrates the strength of the QCS brand.

QCS continues to demonstrate high levels of customer retention and has seen a steady growth in new clients to the consultancy portfolio. With a new specialist medical device practitioner in place, QCS is now well placed to gain medical device consultancies in areas which were previously not available. The medical device sector is about to undergo a significant change with updates to regulatory requirements and to the requirements of ISO 13485. Growth is expected in this sector and will be supported by the design of a dedicated QCS medical device website. There will be specific marketing projects to secure further work in this field, which generates a higher rate of income for QCS.

In the last quarter of the financial year, demand for training rose significantly and assisted with mitigating the adverse impact of the delay in the publication of new standards.

In 2016/17 there will be significant changes to the main health and safety standards for which QCS offers training and consultancy services. This presents a growth opportunity, whereby QCS can promote its ability to support those companies who wish to prepare for the revised standards. The British Standard OHSAS 18001 is expected to be withdrawn when international standard ISO 45001 takes effect. This will see clients begin to transition over to the new standard, which is scheduled to be published in the second half of the financial year. QCS remains well positioned within the market place to take advantage of this change with both existing and new clients seeking assistance to ensure compliance.

QCS INTERNATIONAL LIMITED
for the year ended 31 March 2016

REPORT OF THE DIRECTORS

KEY PERFORMANCE INDICATORS

	Notes	31.3.16 £	31.3.15 £
Earnings before interest, tax, depreciation and amortisation (EBITDA)		90,933	127,893
Add back: management charge from PHSC plc		33,000	21,600
	a	123,933	149,493
Turnover		527,970	526,835
Gross profit		339,824	328,094
Gross profit margin (<i>gross profit / turnover</i>)	b	64%	62%
Trade debtors		86,505	88,370
Trade debtors excluding VAT		72,087	73,642
Debtor days (<i>trade debtors excluding VAT / turnover x 365</i>)	c	50	51
Current assets		347,943	302,579
Less: amounts owed by group companies		-	-
		347,943	302,579
Current liabilities		99,658	75,585
Amounts owed to group companies		(2,037)	(799)
		97,621	74,786
Current ratio (<i>current assets / current liabilities</i>) (<i>both excluding group balances</i>)	d	3.5	4.0
Staff statistics (excluding directors)	e		
Joiners during the year		1	1
Leavers during the year		1	1
Average length of service per staff member		5 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 on a monthly basis as this reflects the core profitability of the company and illustrates the financial success of the services being provided by QCS. The 2% increase in the gross profit margin to 64% resulted from less reliance being placed on sub-contractors to deliver work during the year.
- (c) The debtors days show how quickly sales are being converted into cash; QCS currently waits just over a month and a half to be paid.
- (d) The current ratio is used to monitor the liquidity of QCS. The figures of 3.5 and 4.0 suggest that QCS can comfortably meet its short term obligations.
- (e) In October 2015, an additional consultant was employed by QCS but subsequently another consultant resigned, leaving the headcount unchanged as at 31 March 2016.

QCS INTERNATIONAL LIMITED
for the year ended 31 March 2016

REPORT OF THE DIRECTORS

DIVIDENDS

A dividend of £50,000 (2015 – £70,000) 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
I Phillips

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.

QCS INTERNATIONAL LIMITED
for the year ended 31 March 2016

REPORT OF THE DIRECTORS

GOING CONCERN

The directors confirm that they consider the going concern basis to be appropriate. The Company can access support from its holding company, PHSC plc, that has considerable financial resources together with long-term agreements with a number of customers based in different geographic areas. As a consequence, 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

A resolution to re-appoint Crowe Clark Whitehill LLP as auditors to the company will be proposed at the next Annual General Meeting.

ON BEHALF OF THE BOARD:



S A King - Director
5 August 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF QCS INTERNATIONAL LIMITED

We have audited the financial statements of QCS International Limited which comprise the income statement, statement of financial position, statement of comprehensive income, statement of cashflows and related notes 1 to 18.

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

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors' are responsible for preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of the profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- Adequate accounting records have not been kept, or returns 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.

Crowe Clark Whitehill LLP

Darren Rigden (senior statutory auditor)

for and on behalf of

CROWE CLARK WHITEHILL LLP

Statutory Auditors

10 Palace Avenue, Maidstone, Kent ME15 6NF

9 August 2016

QCS INTERNATIONAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016

	- Note	31.3.16 £	31.3.15 £
Revenue	3	527,970	526,835
Cost of sales		<u>(188,146)</u>	<u>(198,741)</u>
GROSS PROFIT		339,824	328,094
Administrative expenses		<u>(250,083)</u>	<u>(201,568)</u>
PROFIT BEFORE TAXATION	4	89,741	126,526
Income tax expense	8	<u>(18,083)</u>	<u>(9,501)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		71,658	117,025
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>71,658</u>	<u>117,025</u>
Attributable to equity holders		71,658	117,025

All amounts relate to continuing activities.

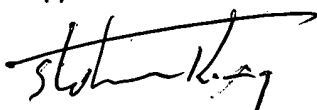
Accounting policies and notes on pages 11 to 18 form part of these financial statements

QCS INTERNATIONAL LIMITED
STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

	Note	31.3.16 £	31.3.15 £
NON-CURRENT ASSETS			
Property, plant and equipment	9	3,577	4,102
Deferred taxation asset	13	331	-
		<u>3,908</u>	<u>4,102</u>
CURRENT ASSETS			
Trade and other receivables	10	88,828	92,514
Cash at cash equivalents		259,115	210,065
		<u>347,943</u>	<u>302,579</u>
TOTAL ASSETS		351,851	306,681
CURRENT LIABILITIES			
Trade and other payables	11	80,574	66,068
Current corporation tax payable		19,084	9,517
		<u>99,658</u>	<u>75,585</u>
NON-CURRENT LIABILITIES			
Deferred taxation	13	-	562
TOTAL LIABILITIES		99,658	76,147
NET ASSETS		<u>252,193</u>	<u>230,534</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Called up share capital	14	100	100
Retained earnings		252,093	230,434
		<u>252,193</u>	<u>230,534</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised for issue by the Board on 5 August 2016 and signed on its behalf by:



S A King - Director

QCS INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Share Capital £	Retained Earnings £	Total £
Balance at 1 April 2014	100	183,409	183,509
Total comprehensive income	-	117,025	117,025
Dividends paid	-	(70,000)	(70,000)
Balance at 31 March 2015	<u>100</u>	<u>230,434</u>	<u>230,534</u>
 Balance at 1 April 2015	 100	 230,434	 230,534
Total comprehensive income	-	71,658	71,658
Dividends paid	-	(50,000)	(50,000)
Balance at 31 March 2016	<u>100</u>	<u>252,092</u>	<u>252,192</u>

QCS INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	Note	31.3.16 £	31.3.15 £
Cash flows from operating activities:			
Cash generated from operations	I	109,125	129,762
Tax paid		(9,408)	(34,350)
Net cash generated from operating activities		<u>99,717</u>	<u>95,412</u>
Cash flows used by investing activities			
Purchase of property, plant and equipment		(667)	(1,127)
Net cash used by investing activities		<u>(667)</u>	<u>(1,127)</u>
Cash flows used by financing activities			
Dividends paid to Group shareholders		(50,000)	(70,000)
Net cash used by financing activities		<u>(50,000)</u>	<u>(70,000)</u>
Net increase in cash and cash equivalents		49,050	24,285
Cash and cash equivalents at beginning of year		210,065	185,780
Cash and cash equivalents at end of year		<u>259,115</u>	<u>210,065</u>

NOTES TO THE GROUP STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	31.3.16 £	31.3.15 £
I. CASH GENERATED FROM OPERATIONS		
Profit before taxation	89,741	126,526
Depreciation charge	1,192	1,367
Decrease/(increase) in trade and other receivables	3,686	(10,999)
Increase in trade and other payables	14,506	12,868
Cash generated from operations	<u>109,125</u>	<u>129,762</u>

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

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 17.

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. The directors have taken notice of the Financial Reporting Council guidance which requires the reasons for this decision to be explained. The directors regard the going concern basis as remaining appropriate as the Company has adequate resources to continue in operational existence for the foreseeable future based upon forecasts. Further details are provided in the directors' report.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company in future periods, except IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 as their detailed review of these standards is still ongoing.

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2016

2. ACCOUNTING POLICIES

Revenue

Revenue, which excludes value added tax, represents the amount receivable in respect of services provided to customers. Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service. Income derived from annual contracts is recognised at the point at which a fair value can be attributed to the various components of the contract. Where it is not possible to attribute a fair value, consideration is given to whether sums received are non-refundable.

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
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Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the profit before income tax.

Inventory

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

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2016

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:

	31.3.16	31.3.15
	£	£
Depreciation – owned assets	1,192	1,367
Operating lease charges – land and buildings	<u>6,000</u>	<u>6,000</u>

5. DIRECTORS' REMUNERATION

	31.3.16	31.3.15
	£	£
Directors' emoluments and other benefits	50,356	41,496
Pension contributions	<u>1,527</u>	<u>250</u>
	<u>51,883</u>	<u>41,746</u>

6. STAFF COSTS

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

	3	3
	3	3
Directors	3	3
Consultants	2	2
Administration	<u>8</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	31.3.16	31.3.15
	£	£
Wages and salaries	252,252	226,688
Social security costs	27,550	23,787
Other pension costs	<u>3,805</u>	<u>452</u>
	<u>283,607</u>	<u>250,927</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:

	31.3.16	31.3.15
	£	£
Audit of the company's annual financial statements	<u>3,000</u>	<u>3,000</u>

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued
for the year ended 31 March 2016

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:	31.3.16	31.3.15
	£	£
Current tax:		
UK corporation tax at 20% (2015 – 21%)	19,085	9,518
Corporation tax under provision in respect of prior years	(109)	-
Total current tax	<u>18,976</u>	<u>9,518</u>
Deferred tax:		
Origination and reversal of timing differences	(893)	(9)
Adjustment in respect of prior periods		(8)
Effect of tax rate change on opening balance		-
Total taxation charge	<u>18,083</u>	<u>9,501</u>

Factors affecting the tax charge

The tax assessed for the year is lower (2015 – lower) than the standard rate of corporation tax in the UK.

The difference is explained below:	31.3.16	31.3.15
	£	£
Profit on ordinary activities before tax	<u>89,741</u>	<u>126,526</u>
Profit on ordinary activities multiplied by the lower rate of corporation tax in the UK of 20% (2015: 21%)	17,948	26,570
Effects of:		
Expenses not deductible for tax purposes	318	384
Group relief claimed before payment	-	(17,102)
Adjustment in respect of prior period	(200)	-
Adjust deferred tax to standard CT rate of 20%	17	-
Marginal relief	-	(351)
Total taxation charge	<u>18,083</u>	<u>9,501</u>

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2016

9. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment £
COST OR VALUATION	
At 1 April 2015	32,402
Additions	667
At 31 March 2016	<u>33,069</u>
DEPRECIATION	
At 1 April 2015	28,300
Charge for the year	1,192
At 31 March 2016	<u>29,492</u>
NET BOOK VALUE	
At 31 March 2016	<u>3,577</u>
At 31 March 2015	<u>4,102</u>

10. TRADE AND OTHER RECEIVABLES

	31.3.16 £	31.3.15 £
Trade receivables	86,505	88,370
Other receivables	207	2,215
Prepayments and accrued income	2,116	1,929
	<u>88,828</u>	<u>92,514</u>

The recoverability of receivables is not considered to be a significant issue to the company. Many customers have a long standing relationship with QCS. 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.

Some of the trade receivables are past due but not impaired as at 31 March 2016. The ageing analysis of these trade receivables is as follows:

	31.3.16 £	31.3.15 £
Current	45,626	52,854
One month overdue	24,563	28,529
Two to six months overdue	16,316	6,987
Over six months overdue	-	-
	<u>86,505</u>	<u>88,370</u>

There were no impaired trade receivables as at 31 March 2016 trade receivables (2015- nil). The receivables due at the end of the financial year relate to trading customers.

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2016

11. TRADE AND OTHER PAYABLES

	31.3.16	31.3.15
	£	£
Trade payables	8,883	4,575
Social security and other taxes	28,268	29,917
Amounts due to ultimate holding company	1,280	799
Amounts due to other group undertakings	757	-
Other payables	9,695	2,260
Accruals and deferred income	31,691	28,517
	<u>80,574</u>	<u>66,068</u>

Shortly after the acquisition of QCS by PHSC plc, 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 2016 was £259,115 (2015: £210,065) within the Group's cash at bank and in hand figure of £256,558 (2015: £508,113).

12. OPERATING LEASE COMMITMENTS

The Company had aggregate annual commitments under non-cancellable operating leases as follows:

	31.3.16	31.3.15
	£	£
Expiring		
Within one year – land and buildings	6,000	6,000
Between two and five years – land and buildings	9,000	15,000
	<u>15,000</u>	<u>21,000</u>

13. DEFERRED TAXATION

	31.3.16	31.3.15
	£	£
Deferred taxation (asset)/liability	<u>(331)</u>	<u>562</u>
	Deferred tax	Deferred tax
	£	£
At 1 April 2015	562	579
Deferred tax credit in year (see note 8)	<u>(893)</u>	<u>(17)</u>
At 31 March 2016	<u>(331)</u>	<u>562</u>

14. SHARE CAPITAL

	31.3.16	31.3.16	31.3.15	31.3.15
	Number	£	Number	£
Allotted, issued and fully paid				
Ordinary shares of £1 each	100	100	100	100

QCS INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2016

15. RELATED PARTY DISCLOSURES

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

	31.3.16	31.3.15
	£	£
Management charge from PHSC plc to QCS	<u>33,000</u>	<u>21,600</u>

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

	31.3.16	31.3.15
	£	£
Amounts owed by group undertakings		
Personnel Health & Safety Consultants Limited	106	-
PHSC plc	1,280	799
Quality Leisure Management Limited	651	-
	<u>2,037</u>	<u>799</u>

16. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

	31.3.16	31.3.15
	£	£
Financial assets at amortised cost		
Trade and other receivables	88,828	92,514
Cash and cash equivalents	259,115	210,065
	<u>347,943</u>	<u>302,579</u>

Financial liabilities at amortised cost		
Trade and other payables	80,574	66,068
	<u>80,574</u>	<u>66,068</u>

Due within 1 year	80,574	66,068
Due in over 1 year	-	-
	<u>80,574</u>	<u>66,068</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.

QCS INTERNATIONAL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS – continued
for the year ended 31 March 2016**

FINANCIAL INSTRUMENTS continued

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.

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.

17. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

- Property, plant and equipment: the directors annually assess both the residual value of these assets and the expected useful life of such assets which is currently judged to be up to 4 years, based on experience.
- Recoverability of trade debtors: the directors annually assess whether a bad debt provision is required for any bad or doubtful debtor balances.

18. PARENT UNDERTAKING

PHSC plc, incorporated in the UK, is the ultimate parent company of the group. There is no ultimate controlling party but Mr S A King, Group Chief Executive, owns 24.68% (2015 – 25.25%) 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.