5 December 2018

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

Unaudited Interim Results for the six months ended 30 September 2018

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group turnover for first half of £2.897m, down from £3.720m last year
- EBITDA of £285k (inclusive of gain on disposal of property of £150k) compared with £197k profit at the half way stage last year
- Earnings per share of 1.47p compared with 1.08p last year
- Cash of £583k compared with £129k last year
- Net asset value (unaudited) of £5.503m
- Pro-forma net asset value (unaudited) per share of 37.5p compared to a current share price (mid) of 12.25p
- Interim dividend declared of 0.5p per ordinary share

Operational Highlights

- Acceleration of plans to bring the Group's security businesses under one roof
- Disposal of the property formerly used by Adamson's Laboratory Services Limited (ALS), the Group's asbestos subsidiary which was discontinued in March 2018 generating a gain of £150k
- Investment in extended training area and office facilities for QCS International Limited (QCS)
- Two leased premises to be vacated in Q3/Q4 resulting in ongoing cost savings

Business overview

The Group achieved revenues of £2.897m in the first half, compared to £3.720m last year. The decrease in revenues relates mainly to a reduction in revenues from the Group's security division, as detailed below, and no revenues being generated during the period from ALS, the Group's asbestos management business which ceased in March 2018 and which had revenues of £0.382m last year.

Having ceased its asbestos management activities, the Group disposed of its associated property in Essex for £305,000, as announced on 28 September 2018. The book value at that date was approximately £133,000 representing a gain of approximately £166,000 after sale fees and legal costs. Charges have been incurred for ending services and leasing equipment agreements associated with the property, and disposal of contents, resulting in an overall positive contribution of approximately £150,000.

EBITDA, without the benefit of this gain, would have been £119,000 over the period, a reduction of £78,000 on last year. The main variance relates to reduced revenues and profits at our security division, which has been impacted by reduced orders from its largest client whilst that client re-evaluates its own strategy. A breakdown of revenues and EBITDA by subsidiary is given below.

At the start of the current financial year, we merged the Group's security businesses, B to B Links Limited (B to B) and SG Systems (UK) Limited (SG), into a single corporate entity, B2BSG Systems Limited. As the year has progressed, we have been taking steps to fully integrate both parts of the

business. This involves streamlining the office and accounting functions, creating a single sales team and having a combined engineering department responsible for installations and servicing. These operations will be managed from the Finchampstead, Berkshire premises, and we have given notice to terminate our lease at the Amesbury, Wiltshire office and warehouse formerly used by SG. In the short term, this amalgamation and streamlining process will involve some costs but longer term will give the business a lower overhead.

The lease on the office used by Quality Leisure Management Limited (QLM) in Northleach expires on 31 December 2018. QLM will relocate to Raunds, Northamptonshire, where it will share Group-owned premises currently occupied by another subsidiary, RSA Environmental Health Limited (RSA). This will lead to lower fixed costs going forward though there will be certain relocation and redundancy expenses borne in Q3.

Our Scottish subsidiary, QCS, has taken on additional premises adjacent to its existing unit, which has also had its lease renewed. We have invested approximately £50,000 in refurnishing and modernising both units to improve and expand the training facility, so that larger numbers of delegates can attend courses where appropriate. A secondary training area has also been created, providing the ability to run more than one course at the same time.

The Group continues to suffer from a general inertia and level of uncertainty in its client base ahead of clarification on the implications and impacts of Brexit. As we have repeatedly reported, the weakness of Sterling impacts particularly on our security business, which relies upon imported equipment purchased in US Dollars and Euros.

Outlook

The majority of the Group's revenues arise from its security division and this is heavily weighted towards the retail sector. Our security business is highly regarded within the retail sector and recently won the Highly Commended Award in the "Vendor of the Year" category at the Retail Risk Fraud Awards. We are well-placed to deliver security solutions to the sector and have a number of key partnerships with national accounts.

Trials and tribulations on the high street are well publicised and we are not insulated from this. Until retailers have emerged from the Christmas period they are unlikely to consider meaningful investment in their stores, partly because of financial uncertainties but also because they do not want work going on in store during the peak period. This means we always see a tail-off in activity as we approach the festive period and as a result of the general weakness in the sector, we have reduced visibility for the start of calendar year 2019.

Our health and safety businesses are all trading profitably and we expect this to continue for the second half of the financial year. Levels of contract renewal at QLM, Inspection Services (UK) Limited and Personnel Health and Safety Consultants Limited remain high. The main activity of RSA continues to be the delivery of safety-rated training and advice to the education sector and the subsidiary intends to refresh its offering over the coming months.

With the new investment in QCS's premises and management's steps to improve and expand the range of courses that they offer, we are confident of seeing improved results going forward. QCS, which delivers training and consultancy in management and quality systems, is recognised as a leader in its field.

Dividend

In view of the gain arising from the sale of the property relating to the discounted asbestos operations and the resulting strengthening of our balance sheet, the board has decided to declare an interim dividend of 0.5p per ordinary share, to be paid on 28 February 2019 to those on the register of members on 4 January 2019.

The recommendation by the board of any final dividend for the current financial year will be subject to the Group's full year performance.

Cash Flow

Cash at bank on 30 September 2018 stood at £583k compared with £129k at the same time last year.

Given our improved cash position, we have reduced our (currently unused) banking facility from £300,000 to £150,000, as we see this as being adequate for our foreseeable needs and results in a lower facilitation fee.

Other than in the normal course of business, the board does not currently anticipate there being any additional calls on the Company's cash.

Performance by Trading Subsidiaries

Profit/loss figures for each of the Group's subsidiaries are stated before tax and inter-company charges (including the costs of operating the plc which are recovered through management charges to trading subsidiaries), interest paid and received, depreciation and amortisation.

Inspection Services (UK) Limited

Invoiced sales of £108,600 yielding a profit of £19,100 (the figures for the same period last year were £108,700 and £25,200).

Personnel Health and Safety Consultants Limited

Invoiced sales of £311,100 yielding a profit of £123,800 (the figures for the same period last year were £317,600 and £123,900).

RSA Environmental Health Limited

Invoiced sales of £190,600 resulting in a profit of £27,500 (the figures for the same period last year were £174,600 and £20,900).

Quality Leisure Management Limited

Invoiced sales of £218,300 resulting in a profit of £47,000 (the figures for the same period last year were £203,000 and £52,300).

QCS International Limited

Invoiced sales of £363,500 yielding a profit of £111,300 (the figures for the same period last year were £372,100 and £145,900).

B2BSG Solutions Limited

Invoiced sales of £1,705,100 yielding a profit of £65,300 (the combined figures across B to B and SG over the same period last year were £2,260,500 and £189,100).

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About PHSC

PHSC plc, 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. B2BSG Systems Ltd offer 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 Regulations (EU) No. 596/2014.

Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 18 Unaudited £'000	Six months ended 30 Sept 17 Unaudited £'000	Year ended 31 Mar 18 Audited £'000
Continuing operations				
Revenue	3	2,897	3,720	7,013
Cost of sales		(1,494)	(1,994)	(3,938)
Gross profit		1,403	1,726	3,075
Administrative expenses		(1,298)	(1,546)	(3,042)
Goodwill impairment	2	-	-	(200)
Other income		-	-	25
Profit on disposal of fixed assets		166	-	-
Profit/(loss) from operations		271	180	(142)
Finance costs		(1)	(2)	(4)
Profit/(loss) before taxation		270	178	(146)
Corporation tax expense		(54)	(19)	(15)
Profit/(loss) for the period after tax attributable to owners of parent	3	216	159	(161)
Total comprehensive income attributable to owners of the parent		**216**	**159**	**(161)**
Basic and diluted Earnings per Share for profit/(loss) after tax from continuing operations attributable to the equity holders of the Group during the period	5	1.47p	1.08p	(1.09p)

Group Statement of Financial Position	Note	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Non-current assets				
Property, plant and equipment	4	453	620	594
Goodwill		3,678	3,878	3,678
Deferred tax asset		22	22	22
		4,153	4,520	4,294
Current assets				
Inventories		379	492	389
Trade and other receivables		1,404	1,880	1,569
Cash and cash equivalents		583	129	244
		2,366	2,501	2,202
Total assets	3	**6,519**	**7,021**	**6,496**
Current liabilities				
Trade and other payables		889	1,239	1,137
Current corporation tax payable		71	19	16
Contingent consideration		-	25	-
		960	1,283	1,153
Non-current liabilities				
Deferred taxation liabilities		56	58	56
		56	58	56
Total liabilities		**1,016**	**1,341**	**1,209**
Net assets		**5,503**	**5,680**	**5,287**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,468	1,468	1,468
Share premium account		1,916	1,916	1,916
Capital redemption reserve		144	144	144
Merger relief reserve		134	134	134
Retained earnings		1,841	2,018	1,625
		5,503	**5,680**	**5,287**

Group Statement of Changes in Equity

	Share Capital	Share Premium	Capital Redemption Reserve	Merger Relief Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	1,468	1,916	144	134	1,625	5,287
Profit for the period attributable to equity holders	-	-	-	-	216	216
Balance at 30 September 2018	1,468	1,916	144	134	1,841	5,503
Balance at 1 April 2017	1,468	1,916	144	134	1,859	5,521
Profit for the period attributable to equity holders	-	-	-	-	159	159
Balance at 30 September 2017	1,468	1,916	144	134	2,018	5,680

Group Statement of Cash Flows	Six months ended 30 Sept 18 Unaudited £'000	Six months ended 30 Sept 17 Unaudited £'000	Year ended 31 Mar 18 Audited £'000
Cash flows generated from/(used by) operating activities			
Cash generated from/(used by) operations	48	(66)	143
Interest paid	(1)	(2)	(4)
Tax paid	-	-	-
Net cash generated from/(used by) operating activities	47	(68)	139
Cash flows from/(used in) investing activities			
Purchase of property, plant and equipment	(8)	(10)	(19)
Disposal of fixed assets (net of disposal costs)	300	-	15
Net cash from/(used in) investing activities	292	(10)	(4)
Cash flows used in financing activities			
Payment of contingent consideration	-	-	(25)
Dividends paid to group shareholders	-	-	(73)
Net cash used in financing activities	-	-	(98)
Net increase/(decrease) in cash and cash equivalents	339	(78)	37
Cash and cash equivalents at beginning of period	244	207	207
Cash and cash equivalents at end of period	583	129	244

Notes to the cash flow statement

Cash generated from/(used by) operations			
Operating profit/(loss) - continuing operations	271	180	(142)
Depreciation charge	13	16	34
Goodwill impairment	-	-	200
Profit on sale of property	(166)	-	-
Loss on sale of other fixed assets	3	-	1
Decrease/(increase) in inventories	10	(4)	98
Decrease/(increase) in trade and other receivables	165	(433)	(121)
(Decrease)/increase in trade and other payables	(248)	175	73
Cash (used by)/generated from operations	48	(66)	143

Notes to the Financial Statements

1. Basis of preparation

These condensed consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and have been prepared in accordance with the AIM Rules for Companies and the Companies Act 2006, as applicable to companies reporting under IFRS.

The financial information contained in this report, which has not been audited, does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2018, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2017 financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The same accounting policies and methods of computation are followed within these interim financial statements as adopted in the most recent annual financial statements.

New IFRS standards and interpretations not adopted

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. IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. As at 31 March 2018 the estimated impact of the transition to IFRS 16 would be to increase tangible fixed assets and liabilities by approximately £52,000. The impact on the statement of comprehensive income is not expected to be material to the financial statements. IFRS 9 is not expected to have a material impact on the financial statements of the group entities.

The information presented within these interim financial statements is in compliance with IAS 34 "Interim Financial Reporting". This requires the use of certain accounting estimates and requires that management exercise judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity, or areas where the assumptions and estimates are significant to the interim financial statements are disclosed below:

Impairment of goodwill

The Board has considered the carrying value of goodwill and although there have been losses in certain subsidiaries in the interim period the longer term outlook remains stable and an impairment charge in these interim accounts is not therefore considered necessary and will be reassessed at the year end.

2. Exceptional Administrative Expenses

	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Impairment of PHSC plc's investment in B2B Links Limited	-	-	200

3. Segmental Reporting

Revenue	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Security division			
B to B Links Ltd	-	1,522	2,777
SG Systems (UK) Ltd	-	738	1,449
B2BSG Solutions Ltd	1,705	-	-
	1,705	2,260	4,226
Health & safety division			
Inspection Services Ltd	109	109	216
Personnel Health & Safety Consultants Ltd	311	318	616
Quality Leisure Management Ltd	218	203	439
RSA Environmental Health Ltd	191	175	370
	829	805	1,641
Quality systems division: QCS International Ltd	363	372	768
Discontinued: Adamson's Laboratory Services Ltd	-	283	378
Total revenue	**2,897**	**3,720**	**7,013**

Profit/(loss) after taxation, before management charge	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Security division			
B to B Links Ltd	-	166	78
SG Systems (UK) Ltd	-	(21)	(96)
B2BSG Solutions Ltd	62	-	-
	62	145	(18)
Health & safety division			
Inspection Services Ltd	17	22	46
Personnel Health & Safety Consultants Ltd	114	114	240
Quality Leisure Management Ltd	41	45	112
RSA Environmental Health Ltd	26	21	75
	198	202	473
Quality systems division: QCS International Ltd	100	122	268
Discontinued: Adamson's Laboratory Services Ltd	-	(75)	(163)
Holding company: PHSC plc	(156)	(257)	(522)
	204	137	38
Taxation adjustment (group loss relief and deferred tax)	12	22	1
Goodwill impairment	-	-	(200)
Total Profit/(loss) after taxation, before management charge	**216**	**159**	**(161)**

Total assets	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Security division			
B to B Links Ltd	-	1,385	1,233
SG Systems (UK) Ltd	-	346	155
B2BSG Systems Ltd	1,112	-	-
	1,112	1,731	1,388
Safety division			
Inspection Services Ltd	233	196	177
Personnel Health & Safety Consultants Ltd	689	776	780
Quality Leisure Management Ltd	258	250	309
RSA Environmental Health Limited	619	589	663
	1,799	1,811	1,929
Quality division: QCS International Ltd	568	539	677
Discontinued: Adamson's Laboratory Services Ltd	18	271	85
Holding company: PHSC plc	4,146	4,005	3,586
	7,643	8,357	7,665
Adjustment of goodwill	(1,124)	(1,336)	(1,169)
Total assets	**6,519**	**7,021**	**6,496**

4. Property, plant and equipment

	30 Sept 18 Unaudited £'000	30 Sept 17 Unaudited £'000	31 Mar 18 Audited £'000
Cost or valuation			
Brought forward	934	1,066	1,066
Additions	8	10	19
Disposals	(163)	(7)	(151)
Carried forward	779	1,069	934
Depreciation			
Brought forward	340	440	440
Charge	13	16	34
Disposals	(27)	(7)	(134)
Carried forward	326	449	340
Net book value	**453**	**620**	**594**

5. Earnings per share

The calculation of the basic earnings per share is based on the following data.

	30 Sept 18 £'000 Unaudited	30 Sept 17 £'000 Unaudited	31 Mar 18 £'000
Earnings			
Continuing activities	216	159	(161)
Number of shares	30 Sept 18	30 Sept 17	31 Mar 18
Weighted average number of shares for the purpose of basic earnings per share	14,677,257	14,677,257	14,677,257