24 November 2020

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

Unaudited Interim Results for the six months ended 30 September 2020

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group revenue for first half of £1.377m, down from £2.234m last year.
- EBITDA of £182k, compared with £175k at the halfway stage last year.
- Earnings per share of 0.83p compared with 1.01p last year.
- Cash of £1.0m compared with £756k as at 31 March 2020.
- Net asset value (unaudited) of £5.1m compared to £5.0m as 31 March 2020.
- Net asset value (unaudited) per share of 34.8p compared to a current share price of 12.0p.
- Interim dividend declared of 0.5p per ordinary share.

Operational Highlights and Business Outlook

The first half of the year has been dominated by the effects of COVID-19 and this has led to a marked downturn in demand for the majority of our services, with the exception of Personnel Health & Safety Consultants Limited, whose core business has continued to provide clients with COVID-19 risk assessments and support.

The improved EBITDA would not have been achieved without considerable support through the Coronavirus Job Retention Scheme (CJRS) and local authority grants of, in aggregate, £316k. However, the Group has not needed to make use of repayable financial support such as Government-backed loans and has not called upon our £50,000 facility with HSBC, which was renewed in October 2020.

Our security company, B2BSG Solutions Limited, was badly hit by the enforced closure of non-essential retail premises for much of the period, and the far lower demand once shops were gradually allowed to reopen. Several retail clients have reduced the size of their estates, leading to reduced order quantities for our security products. Some national chains who we work with are in severe financial difficulty and we expect that this may impact our ability to recover debts. We have therefore made an initial provision of £10,000 in anticipation of losses due to customer default. The extent to which the business can recover will depend largely on when and whether the high street is able to improve its fortunes following the easing of restrictions following the second lockdown. On a positive note, the losses for the period were reduced substantially when compared to last year, albeit this was heavily supported by the CJRS and grant funding.

Demand for consultancy and training through our QCS International Limited subsidiary, which is based in Scotland, was negatively impacted, with both revenues and profits reducing by more than a half. Training income was worst hit, with income of approximately £40,000 compared with £180,000 at the half-way stage last year. Demand for consultancy support held up better than expected. We expect that many clients will look to reinstate deferred training courses as soon as it is deemed safe and legal to do so, as determined by Scottish legislation.

There have been mixed fortunes in the Safety Division, with Quality Leisure Management Limited the worst affected. The overwhelming majority of clients are leisure centres, and this sector was ordered to completely close for most of the period. Funding of these establishments has been severely curtailed. Whilst we have been called up to support some clients who use retainer services, the need for additional paid for services has been negligible.

Inspection Services (UK) limited has been largely unaffected by the pandemic and the half-year is generally in line with expectations.

RSA Environmental Health Limited, via its SafetyMARK branding, predominantly works in the school sector.

With schools closed (other than for limited exceptions) in the first wave of the pandemic, training and consultancy requirements were minimal. With schools reopening we anticipate a gradual improvement in activity. A positive point has been our ability to adapt and deliver accredited training remotely and this is an income stream that we will work to enlarge in the months ahead.

Personnel Health & Safety Consultants Limited enjoyed additional demand for its services, notably those related to assisting clients achieve COVID secure workplaces. Our fee-earning staff who were initially furloughed under the CJRS have been fully productive since early summer, when the restrictions from the first lockdown were eased, and are generally expected to be busy through to the end of the calendar year. We have sought to position ourselves in the marketplace as the "go to" health and safety consultancy for COVID-19 support and this has resulted in enquiries being at record levels. This has resulted in several organisations using us for the first time and we will look to capitalise on these new relationships going forward.

Dividend

The Board is mindful of the fact that the Group has enjoyed considerable support from the CJRS together with associated grant funding and that careful thought should be given as to whether a distribution is appropriate in these circumstances. However, we are aware that many of our shareholders have invested for the historically high yield that our dividend policy has offered and during these times we have continued to manage our business carefully. The Board is therefore satisfied that a distribution from retained earnings is reasonable and that this would not materially compromise our cash position. Accordingly, the Board declares an interim dividend of 0.5p per ordinary share, to be paid on 26 February 2021 to those on the register of members on 4 January 2021.

The recommendation by the Board of any final dividend for the current financial year will be subject to the Group's full year performance and the outlook at that time.

Cash Flow

Cash at bank on 30 September 2020 stood at £1.0m compared to £756k as at 31 March 2020.

Other than in the normal course of business and the proposed and any future dividends that might be declared, the Board does not currently anticipate there being any additional calls on the Company's cash.

Performance by Trading Subsidiaries

Profit/loss figures for individual subsidiaries are stated after government grants, which includes the CJRS, but before tax and inter-company charges (including the costs of operating the plc which are recovered through management charges to, and dividends from, trading subsidiaries), interest paid and received, depreciation and amortisation.

Personnel Health and Safety Consultants Limited
Invoiced sales of £381,531 yielding a profit of £223,591 (the figures for the same period last year were £366,657 and £139,470).

RSA Environmental Health Limited
Invoiced sales of £100,123 resulting in a profit of £30,686 (the figures for the same period last year were £207,524 and £50,488).

Quality Leisure Management Limited
Invoiced sales of £90,369 resulting in a profit of £40,342 (the figures for the same period last year were £194,295 and £58,544).

QCS International Limited
Invoiced sales of £196,533 yielding a profit of £46,705 (the figures for the same period last year were £397,832 and £142,102).

Inspection Services (UK) Limited

Invoiced sales of £113,807 yielding a profit of £25,471 (the figures for the same period last year were £132,613 and £35,860).

B2BSG Solutions Limited
Invoiced sales of £495,228 resulting in a loss of £4,394 (the figures for the same period last year were £935,356 and £56,558 loss).

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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 Solutions 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 ("MAR").

Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 20 Unaudited £'000	Six months ended 30 Sept 19 Unaudited £'000	Year ended 31 Mar 20 Audited £'000
Continuing operations				
Revenue	3	1,377	2,234	4,438
Cost of sales		(767)	(1,101)	(2,252)
Gross profit		610	1,133	2,186
Administrative expenses		(775)	(979)	(1,983)
Goodwill impairment	2	-	-	(200)
Government grants		316	-	-
Profit from operations		151	154	3
Finance income		1	1	2
Profit before taxation		152	155	5
Corporation tax expense		(31)	(7)	(21)
Profit/(loss) for the period after tax attributable to owners of parent	3	121	148	(16)
Total comprehensive income attributable to owners of the parent		**121**	**148**	**(16)**
Basic and diluted Earnings per Share for profit after tax from continuing operations attributable to the equity holders of the Group during the period	5	0.83p	1.01p	(0.11)p

Group Statement of Financial Position	Note	30 Sept 20 Unaudited £'000	30 Sept 19 Unaudited £'000	31 Mar 20 Audited £'000
Non-current assets				
Property, plant and equipment	4	565	561	593
Goodwill		3,278	3,478	3,278
Deferred tax asset		20	18	20
		3,863	4,057	3,891
Current assets				
Inventories		263	307	264
Trade and other receivables		753	1,069	886
Cash and cash equivalents		1,003	688	756
		2,019	2,064	1,906
Total assets	3	**5,882**	**6,121**	**5,797**
Current liabilities				
Trade and other payables		571	647	623
Right of use lease liability		34	23	34
Current corporation tax payable		71	62	40
		676	732	697
Non-current liabilities				
Right of use lease liability		54	54	70
Deferred taxation liabilities		52	46	51
		106	100	121
Total liabilities		**782**	**832**	**818**
Net assets		**5,100**	**5,289**	**4,979**
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		1,438	1,627	1,317
		5,100	**5,289**	**4,979**

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 2020	1,468	1,916	144	134	1,317	4,979
Profit for the period attributable to equity holders	-	-	-	-	121	121
Balance at 30 September 2020	1,468	1,916	144	134	1,438	5,100
Balance at 1 April 2019	1,468	1,916	144	134	1,479	5,141
Profit for the period attributable to equity holders	-	-	-	-	148	148
Balance at 30 September 2019	1,468	1,916	144	134	1,627	5,289

Group Statement of Cash Flows

	Six months ended 30 Sept 20 Unaudited £'000	Six months ended 30 Sept 19 Unaudited £'000	Year ended 31 Mar 20 Audited £'000
Cash flows generated from operating activities			
Cash generated from operations	264	57	347
Tax paid	-	-	(32)
Net cash generated from operating activities	264	57	315
Cash flows used in investing activities			
Purchase of property, plant and equipment	(2)	(14)	(39)
Disposal of fixed assets	-	2	2
Interest received	1	1	2
Net cash used in investing activities	(1)	(11)	(35)
Cash flows used in financing activities			
Payments on right of use assets	(16)		(19)
Dividends paid to group shareholders	-	-	(147)
Net cash used in financing activities	(16)	-	(166)
Net increase in cash and cash equivalents	247	46	114
Cash and cash equivalents at beginning of period	756	642	642
Cash and cash equivalents at end of period	1,003	688	756

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	151	154	3
Depreciation charge	30	21	52
Goodwill impairment	-	-	200
Loss on sale of fixed assets	-	3	5
Decrease in inventories	1	10	52
Decrease/(increase) in trade and other receivables	133	(96)	87
Decrease in trade and other payables	(51)	(35)	(52)
Cash generated from operations	264	57	347

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 2020, prepared under IFRS have been filed with the Registrar of Companies. The auditor's report for the 2020 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.

Impairment of goodwill
The Board has considered the carrying value of goodwill and is satisfied that the assumptions made at the time of the last adjustment remain valid. Although there have been losses in certain subsidiaries in the interim period, the Group's performance against the background of COVID-19 has been better than was envisaged when the final results were published in August 2020. The longer-term outlook presently remains stable and an impairment charge in these interim accounts is not therefore considered necessary but will be reassessed at the year end.

Government grants
Government grants represent amounts receivable in relation to the CJRS and other COVID-19 related business grants. The grants have been recognised in the period to which the costs relate.

2. Exceptional Administrative Expenses

	Six months ended 30 Sept 20 Unaudited £'000	Six months ended 30 Sept 19 Unaudited £'000	Year ended 31 Mar 20 Audited £'000
Impairment of PHSC plc's investment in B2BSG Solutions Limited	-	-	200

3. Segmental Reporting

	Six months ended 30 Sept 20 Unaudited £'000	Six months ended 30 Sept 19 Unaudited £'000	Year ended 31 Mar 20 Audited £'000
Revenue			
Security division: B2BSG Solutions Ltd	495	935	1,915
	495	935	1,915
Health & safety division			
Inspection Services (UK) Ltd	114	133	231
Personnel Health & Safety Consultants Ltd	382	367	764
Quality Leisure Management Ltd	90	194	353
RSA Environmental Health Ltd	100	207	418
	686	901	1,766
Systems division: QCS International Ltd	196	398	757
Total revenue	**1,377**	**2,234**	**4,438**
Profit/(loss) after taxation, before management charge			
Security division: B2BSG Solutions Ltd	(1)	(42)	(61)
Health & safety division			
Inspection Services (UK) Ltd	18	30	33
Personnel Health & Safety Consultants Ltd	183	137	251
Quality Leisure Management Ltd	33	49	66
RSA Environmental Health Ltd	25	43	72
	259	259	422
Systems division: QCS International Ltd	33	115	184
Holding company: PHSC plc	(170)	(184)	(361)
	121	148	184
Goodwill impairment	-	-	(200)
Total Group profit/(loss) after taxation	**121**	**148**	**(16)**

Total assets	30 Sept 20 Unaudited £'000	30 Sept 19 Unaudited £'000	31 Mar 20 Audited £'000
Security division: B2BSG Solutions Ltd	411	602	429
Safety division			
Inspection Services (UK) Ltd	176	218	166
Personnel Health & Safety Consultants Ltd	581	1,057	413
Quality Leisure Management Ltd	210	320	220
RSA Environmental Health Limited	637	684	631
	1,604	2,279	1,430
Systems division: QCS International Ltd	320	765	320
Holding company: PHSC plc	4,322	3,249	4,375
	6,657	6,895	6,554
Adjustment of goodwill	(775)	(774)	(757)
Total assets	**5,882**	**6,121**	**5,797**

4. Property, plant and equipment

	30 Sept 20 Unaudited £'000	30 Sept 19 Unaudited £'000	31 Mar 20 Audited £'000
Cost or valuation			
Brought forward	949	907	822
Additions	2	14	163
Disposals	-	(37)	(36)
Carried forward	951	884	949
Depreciation			
Brought forward	356	334	334
Charge	30	21	52
Disposals	-	(32)	(30)
Carried forward	386	323	356
Net book value	**565**	**561**	**593**

5. Earnings per share

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

	Six months ended 30 Sept 20 Unaudited £'000	Six months ended 30 Sept 19 Unaudited £'000	Year ended 31 Mar 20 Audited £'000
Earnings			
Continuing activities	121	148	(16)
Number of shares	30 Sept 20	30 Sept 19	31 Mar 20
Weighted average number of shares for the purpose of basic earnings per share	14,667,257	14,667,257	14,667,257