25 November 2014

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

Interim Results for the six months ended 30 September 2014

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group turnover for first half up 4.7% at £4.129m compared with £3.942m last year.
- EBITDA up 44% to £518k before costs of acquisitions, versus £359k last year.
- Basic earnings per share of 2.26p on enlarged share capital, compared with 2.30p last year.
- Net asset value (unaudited) of £6.622m.
- Pro-forma net asset value (unaudited) per share of 52.2p compared to a current share price (mid) of 30.0p.
- Performance of both new subsidiaries exceeds expectations, increasing profits and resulting in higher earn-out payments

Trading overview

Our trading performance has exceeded the board's expectations and this has resulted in increased revenue and profits. Financial statistics for each trading subsidiary are given later in this statement.

The positive effect of our recent acquisitions continues to be felt, with the legacy health and safety businesses also making a valuable contribution.

The stand-out performance is from B to B Links Limited which has more than doubled its profit to around £402,000. This was assisted by a one-off project commissioned in the second quarter by our largest client who required significant works to their high street retail property portfolio within a short space of time. The project presented great challenges to everybody involved in the installation programme, and their efforts ensured that the client's deadlines were met. This work was in addition to the normal installation programme that the client engages us to deliver. The subsidiary also benefitted from significant new business from a national chain of builders' merchants and an accelerated programme of work from a leading high street fashion chain.

The two-year earn-out period following the acquisition of QCS International Limited ended on 31 July 2014 and, as subsequently announced, an agreed final payment of £105,285 was made to the vendors. This was funded from existing cash and brought the total cash payment for the transaction to £425,285. At the time of acquisition an allowance of £80,000 was made for the final payment but the extra profits generated meant that this provision was exceeded by £25,285. Under IFRS rules the excess has been expressed as a charge to the Group Statement of Comprehensive Income.

In the case of B to B Links Limited, the two-year earn-out period concluded on 30 September 2014. As announced today, an exceptionally strong performance in the last quarter has resulted in an earn-out entitlement of £458,243. Of this, £250,000 was provided for at the date of acquisition so it will be necessary to charge the excess amount of £208,243 to the Group Statement of Comprehensive Income.

The strong results for the half-year have been assisted by a reversal of fortune for Quality Leisure Management Limited which was loss-making at this stage last year but has posted a profit of around £57,000 in the first half.

Outlook

In the past, the Group's financial performance has always been better in the second half of the year. We expect this cycle to be maintained in respect of the majority of our subsidiaries, but not for the Group as a whole. This is because the exceptional one-off contribution from B to B Links in Q2 is expected to be balanced out by normalised revenues in the second half. Nevertheless, with each trading subsidiary having a strong forward order book, we expect to build on the impressive performance that has been delivered in the first half.

Take-up of RSA Environmental Limited's "SafetyMARK" programme to support safety excellence in schools is increasing, and is on the way to compensating for the continued contraction in Local Authority-derived inspection work. Our Adamson's Laboratory Service Limited subsidiary is engaged in extensive programmes of work for two leading Universities. Our Scottish subsidiary, QCS International Limited, is gearing up to deliver training and consultancy support in connection with pending revisions to international quality standards.

Dividend prospects

The Board is not declaring an interim dividend but intends to recommend an appropriate final dividend at the end of the year in line with its stated policy of at least maintaining the level of dividend paid.

Cash Flow

The bank balance stood at £138,398 as at 30 September 2104 (the date of the interim accounting period) and £156,830 at the close of business on the last trading day prior to this announcement.

Cash demands over the coming weeks are considerable. Large amounts are tied up in outstanding invoices associated with B to B Links Limited's exceptional invoicing achievements in September 2014, much of which is on agreed 90 day payment terms. Trade and other receivables across the Group were £2.922m at 30 September compared with £1.935m at 31 March 2014.

Of the £458,243 final payment due in connection with the acquisition of B 2 B Links Limited, a sum of £120,000 was advanced to the vendors in July 2014. In exchange for part-payment earlier than it fell due, the vendors agreed to defer the bulk of the remaining payment until 31 December 2014. By that time it is anticipated that sufficient cash will have been generated from settlement of invoices we issued in September to cover this liability.

Our banking arrangements with HSBC include the ability to put in place an overdraft facility of £100k upon 48 hours' notice, although as at today's date that facility is not being called upon.

Performance by Trading Subsidiaries

Profit/loss figures for individual 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.

Adamson's Laboratory Services Limited

Revenue of £1,288,600 yielding a profit of £67,400 (the equivalent figures for the same period last year were £1,329,700 and £127,400). The work in progress level at the end of September 2014 was particularly high.

Inspection Services (UK) Limited

Invoiced sales of £96,300 yielding a profit of £8,900 (the figures for the same period last year were £98,300 and £3,500).

Personnel Health and Safety Consultants Limited

Invoiced sales of £390,800 yielding a profit of £191,200 (the figures for the same period last year were £360,500 and £153,300).

RSA Environmental Health Limited

Invoiced sales of £198,200 resulting in a profit of £8,000 (the figures for the same period last year were £237,900 and £20,900).

Quality Leisure Management Limited

Invoiced sales of £246,400 resulting in a profit of £57,000 (the figures for the same period last year were £186,800 and a loss £27,300).

QCS International Limited

Invoiced sales of £254,000 yielding a profit of £58,900 (the figures for the same period last year were £253,000 and £79,200).

B to B Links Limited

Invoiced sales of £1,654,300 yielding a profit of £402,000 (the figures for the same period last year were £1,475,400 and £198,700)

Stephen King - Group Chief Executive Officer

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Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 14 Unaudited £'000	Six months ended 30 Sept 13 Unaudited £'000	Year ended 31 Mar 14 £'000
Continuing operations				
Revenue	3	4,129	3,942	7,594
Cost of sales		(2,249)	(2,332)	(4,356)
Gross profit		1,880	1,610	3,238
Other income			1	1
Administrative expenses		(1,383)	(1,274)	(2,583)
Exceptional administrative expenses	2	(75)		
Profit from operations		422	337	656
Finance income		-	-	-
Finance costs		-	-	(1)
Profit before taxation		422	337	655
Corporation tax expense		(136)	(93)	(161)
Profit for the period after tax attributable to owners of parent	3	286	244	494
Total comprehensive income attributable to owners of the parent		**286**	**244**	**494**
Attributable to:				
Equity holders of the Group		286	244	494
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	2.26p	2.30p	4.24p

Group Statement of Financial Position	Note	30 Sept 14 Unaudited £'000	30 Sept 13 Unaudited £'000	31 Mar 14 £'000
Non-current assets				
Property, plant and equipment	4	686	702	696
Goodwill		4,560	4,637	4,609
Deferred tax asset		-	3	-
		5,246	5,342	5,305
Current assets				
Inventories		228	184	155
Trade and other receivables		2,922	2,422	1,935
Cash and cash equivalents		138	-	712
		3,288	2,606	2,802
Total assets	3	**8,534**	**7,948**	**8,107**
Current liabilities				
Trade and other payables		1,475	1,480	1,135
Financial liabilities		2	7	7
Current corporation tax payable		237	264	127
Short term provisions		130	410	330
		1,844	2,161	1,599
Non-current liabilities				
Financial liabilities		-	6	-
Deferred taxation liabilities		68	69	68
		68	75	68
Total liabilities		**1,912**	**2,236**	**1,667**
Net assets		**6,622**	**5,712**	**6,440**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,268	1,061	1,268
Share premium account		1,831	1,555	1,831
Capital redemption reserve		144	144	144
Retained earnings		3,379	2,952	3,197
		6,622	**5,712**	**6,440**

Group Statement of Changes in Equity

	Share Capital	Share Premium	Capital Redemption Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	1,061	1,555	144	2,867	5,627
Profit for the period attributable to equity holders	-	-	-	244	244
Dividends	-	-	-	(159)	(159)
Balance at 30 September 2013	1,061	1,555	144	2,952	5,712
Balance at 1 April 2014	1,268	1,831	144	3,197	6,440
Profit for the period attributable to equity holders	-	-	-	286	286
Dividends	-	-	-	(104)	(104)
Balance at 30 September 2014	1,268	1,831	144	3,379	6,622

Group Statement of Cash Flows	Six months ended 30 Sept 14 Unaudited £'000	Six months ended 30 Sept 13 Unaudited £'000	Year ended 31 Mar 14 £'000
Cash flows (used by)/ generated from operating activities			
Cash generated from operations	(231)	191	856
Interest paid	-	-	(1)
Tax paid	(27)	(3)	(211)
Net cash (used by)/generated from operating activities	(258)	188	644
Cash flows used in investing activities			
Purchase of property, plant and equipment	(12)	(11)	(31)
Purchase of subsidiary companies net of cash acquired	(200)	(361)	(441)
Interest received	-	-	-
Net cash used in investing activities	(212)	(372)	(472)
Cash flows (used in)/generated by financing activities			
Proceeds from placement of shares	-	-	483
Dividends paid to group shareholders	(104)	(159)	(159)
Net cash (used in)/generated by financing activities	(104)	(159)	324
Net (decrease)/increase in cash and cash equivalents	(574)	(343)	496
Cash and cash equivalents at beginning of period	712	216	216
Cash and cash equivalents at end of period	138	(127)	712

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	422	337	656
Depreciation charge	22	22	48
Goodwill impairment	49	-	28
Increase in inventories	(73)	(31)	(1)
(Increase)/decrease in trade and other receivables	(987)	(384)	102
Increase in trade and other payables	341	253	36
Decrease in financial liabilities	(5)	(6)	(13)
Cash (used by)/generated from operations	(231)	191	856

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 AIM rules 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 2014, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2014 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

Certain new standards, amendments and interpretations of existing standards that have been published and which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS standards and interpretations issued (and EU adopted) but not yet effective **Title**	**Effective date – accounting period beginning on/after**
IFRS 13 Fair Value Measurement	01/01/2013
IFRIC 20 Stripping Costs in the Production of a Surface Mine	01/01/2013
IFRS 1 Amendments – Government Loans	01/01/2013
Transition Guidance (Amendments to IFRS 10, 11 and 12)	01/01/2013
Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	01/01/2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	01/01/2014
IAS 36 Amendments Recoverable Amount Disclosures for non-Financial Assets	01/01/2014
IFRIC 21 Levies	01/01/2014

IFRS Standards and Interpretations issued by IASB but not yet EU approved **Title**	**Effective date – accounting period beginning on/after**
IAS 19 Amendment – Defined Benefit Plans: Employee Contributions	01/07/2014
IFRS 10 and IAS 28 Amendments: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01/01/2016
IAS 27 Amendment: Equity Method in Separate Financial Statements	01/01/2016
IAS 16 and IAS 41 Amendments: Agriculture Bearer Plants	01/01/2016
IFRS 14 Regulatory Deferral Accounts	01/01/2016
IAS 16 and IAS 38 Amendments: Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016
IFRS 11 Amendments: Accounting for Acquisitions of Interest in Joint Operations	01/01/2016
IFRS 15 Revenue from Contracts with Customers	01/01/2017
IFRS 9 Financial Instruments	01/01/2018

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the group's profit for the period or equity. Application of these standards will result in some changes in presentation of information within the condensed interim financial statements.

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:

(a) Provisions
The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. A liability of £130,000 relating to the final payment due under the B to B Links Limited sale and purchase agreements is included in short term provisions.

(b) Impairment of goodwill
Our interim review of the value of goodwill in the balance sheet highlighted a balance within PHSC plc relating to contracts which have expired and the associated goodwill of £49,392 has been written off in the consolidated accounts. The review did not highlight any further conditions which would give rise to a material impairment and for this reason the Board is to defer any decision regarding any additional impairment of goodwill until the year end.

		30 Sept 14 Unaudited	30 Sept 13 Unaudited	31 Mar 14
2	**Exceptional Administrative Expenses**	£'000	£'000	£'000
	QCS International Limited:			
	Acquisition payment in excess of provision	26	-	-
	PHSC plc:			
	Goodwill impairment as detailed in (b) above	49	-	-
		75	-	-

		30 Sept 14 Unaudited	30 Sept 13 Unaudited	31 Mar 14
3	**Segmental Reporting**	£'000	£'000	£'000
	Revenue			
	PHSC plc	-	-	-
	Personnel Health & Safety Consultants Ltd	391	361	750
	RSA Environmental Health Ltd	198	238	499
	Adamson's Laboratory Services Ltd	1,289	1,330	2,660
	Inspection Services Ltd	96	98	195
	Quality Leisure Management Ltd	246	187	464
	Q C S International Ltd	254	253	516
	B to B Links Ltd	1,655	1,475	2,510
		4,129	3,942	7,594
	Profit/(loss) after taxation			
	PHSC plc	(41)	1	(1)
	Personnel Health & Safety Consultants Ltd	78	53	116
	RSA Environmental Health Ltd	-	12	35
	Adamson's Laboratory Services Ltd	(45)	35	114
	Inspection Services Ltd	2	(3)	(1)
	Quality Leisure Management Ltd	24	(53)	(54)
	Q C S International Ltd	42	64	116
	B to B Links Ltd	301	135	180
		361	244	505
	Taxation adjustment (group loss relief and deferred tax)	-	-	17
	Additional acquisition payment (QCS)	(26)	-	-
	Goodwill impairment	(49)	-	(28)
		286	244	494
	Total assets			
	PHSC plc	5,890	5,892	5,186
	Personnel Health & Safety Consultants Ltd	464	493	725
	RSA Environmental Health Limited	492	495	592
	Adamson's Laboratory Services Ltd	1,219	1,260	1,419
	Inspection Services Ltd	54	44	96
	Quality Leisure Management Ltd	111	65	245
	Q C S International Ltd	88	118	272
	B to B Links Ltd	1,730	1,119	1,043
		10,048	9,486	9,578
	Adjustment of goodwill	(1,514)	(1,538)	(1,471)
		8,534	7,948	8,107

Notes to the Financial Statements (continued)		30 Sept 14 Unaudited	30 Sept 13 Unaudited	31 Mar 14
4	**Property, plant and equipment**	£'000	£'000	£'000
	Cost or valuation			
	Brought forward	1,124	1, 097	1,097
	Additions	12	11	27
	Acquisition of subsidiary	-	-	
	Disposals	-	-	
	Carried forward	1,136	1,108	1,124
	Depreciation			
	Brought forward	428	384	384
	Charge	22	22	44
	Disposals	-	-	
	Carried forward	450	406	428
	Net book value	686	702	696

5 Earnings per share

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

	30 Sept 14 £'000 Unaudited	30 Sept 13 £'000 Unaudited	31 Mar 14 £'000
Earnings			
Continuing activities	286	244	494

Number of shares	30 Sept 14	30 Sept 13	31 Mar 14
Weighted average number of shares for the purpose of basic earnings per share	12,686,353	10,410,473	12,686,353