2 December 2019

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

Unaudited Interim Results for the six months ended 30 September 2019

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group revenue for first half of £2.234m, down from £2.897m last year.
- EBITDA of £175k, compared with an underlying equivalent of £135k at the halfway stage last year i.e. before factoring in an exceptional gain from property disposal.
- Earnings per share of 1.01p compared with 1.47p last year. Last year's figure includes exceptional gain from property disposal.
- Cash of £688k compared with £583k last year.
- Net asset value (unaudited) of £5.3m compared to £5.5m last year.
- Pro-forma net asset value (unaudited) per share of 36p compared to a current share price (mid) of 11p.
- Interim dividend declared of 0.5p per ordinary share.

Operational Highlights and Business Outlook

Compared with the halfway stage last year, EBITDA from trading activities improved across the Group as a whole by £40k, aided by the Group's lower overheads and premises related savings. This was achieved despite a decline in product sales through our security division, caused by the trading difficulties of the retail sector.

All businesses within the safety division contributed higher profits, with three out of the four safety-related subsidiaries achieving higher revenues. The forward order book is very encouraging.

Our quality systems division also reported growth in sales and increased profits. The larger space available for public training courses, following expansion into an adjacent unit, is starting to pay dividends with higher delegate numbers being achieved.

Our security division saw a reduction in sales of around 45% as the customer base, predominantly high street retailers, continued to struggle, resulting in a loss for the first half. The effect has been mitigated to an extent by careful cost control and a reduction in staffing levels through normal staff turnover. After a prolonged period of low activity, the subsidiary's largest client has recently begun to place new business, and this gives more scope for optimism in the future. As has been previously reported, the weak Sterling exchange rate impacts greatly on gross profit margins, as all product supplied and installed are imported and paid for in US Dollars or Euros.

The fortunes of the Group as a whole are affected by the performance of the security division, which presently accounts for approximately 40% of the Group's revenues. The business is an important player in the retail sector and has again been recognised at the annual Retail Risk Fraud Awards when it was Highly Commended for RFID solutions (products using radio frequency identification systems).

Dividend

Profitable trading and a healthy cash position have enabled the Board to declare an interim dividend of 0.5p per ordinary share, to be paid on 28 February 2020 to those on the register of members on 3 January 2020.

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 2019 stood at £688k compared with £583k at the same time last year.

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 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.

Inspection Services (UK) Limited
Invoiced sales of £132,613 yielding a profit of £35,860 (the figures for the same period last year were £108,563 and £19,130).

Personnel Health and Safety Consultants Limited
Invoiced sales of £366,657 yielding a profit of £139,470 (the figures for the same period last year were £311,111 and £123,846).

RSA Environmental Health Limited
Invoiced sales of £207,524 resulting in a profit of £50,488 (the figures for the same period last year were £190,563 and £27,501).

Quality Leisure Management Limited
Invoiced sales of £194,295 resulting in a profit of £58,544 (the figures for the same period last year were £218,327 and £46,983).

QCS International Limited
Invoiced sales of £397,832 yielding a profit of £142,102 (the figures for the same period last year were £363,514 and £111,259).

B2BSG Systems Limited
Invoiced sales of £935,356 resulting in a loss of £56,558 (the figures for the same period last year were £1,705,080 and £65,319 profit).

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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 ("MAR").

Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 19 Unaudited £'000	Six months ended 30 Sept 18 Unaudited £'000	Year ended 31 Mar 19 Audited £'000
Continuing operations				
Revenue	3	2,234	2,897	5,215
Cost of sales		(1,101)	(1,494)	(2,719)
Gross profit		1,133	1,403	2,496
Administrative expenses		(979)	(1,298)	(2,418)
Goodwill impairment	2	-	-	(200)
Profit on disposal of fixed assets		-	166	166
Profit from operations		154	271	44
Finance income/(costs)		1	(1)	(1)
Profit before taxation		155	270	43
Corporation tax expense		(7)	(54)	(42)
Profit for the period after tax attributable to owners of parent	3	148	216	1
Total comprehensive income attributable to owners of the parent		**148**	**216**	**1**
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	1.01p	1.47p	0.005p

Group Statement of Financial Position	Note	30 Sept 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Non-current assets				
Property, plant and equipment	4	561	453	489
Goodwill		3,478	3,678	3,478
Deferred tax asset		18	22	18
		4,057	4,153	3,985
Current assets				
Inventories		307	379	317
Trade and other receivables		1,069	1,404	973
Cash and cash equivalents		688	583	642
		2,064	2,366	1,932
Total assets	3	**6,121**	**6,519**	**5,917**
Current liabilities				
Trade and other payables		647	889	675
Right of use lease liability		23	-	-
Current corporation tax payable		62	71	55
		732	960	730
Non-current liabilities				
Right of use lease liability		54	-	-
Deferred taxation liabilities		46	56	46
		100	56	46
Total liabilities		**832**	**1,016**	**776**
Net assets		**5,289**	**5,503**	**5,141**
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		1,627	1,841	1,479
		5,289	**5,503**	**5,141**

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 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
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

Group Statement of Cash Flows	Six months ended 30 Sept 19 Unaudited £'000	Six months ended 30 Sept 18 Unaudited £'000	Year ended 31 Mar 19 Audited £'000
Cash flows generated from operating activities			
Cash generated from operations	57	48	326
Interest paid	-	(1)	(2)
Tax paid	-	-	(9)
Net cash generated from operating activities	57	47	315
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment	(14)	(8)	(69)
Disposal of fixed assets (net of disposal costs)	2	300	299
Interest received	1	-	-
Net cash (used in)/from investing activities	(11)	292	230
Cash flows used in financing activities			
Dividends paid to group shareholders	-	-	(147)
Net cash used in financing activities	-	-	(147)
Net increase in cash and cash equivalents	46	339	398
Cash and cash equivalents at beginning of period	642	244	244
Cash and cash equivalents at end of period	688	583	642

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	154	271	44
Depreciation charge	21	13	38
Goodwill impairment	-	-	200
Profit on sale of property	-	(166)	(162)
Loss on sale of other fixed assets	3	3	-
Decrease in inventories	10	10	73
(Increase)/decrease in trade and other receivables	(96)	165	595
(Decrease)/increase in trade and other payables	(35)	(248)	(462)
Cash generated from operations	57	48	326

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 2019, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2019 financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Other than as set out below, the same accounting policies and methods of computation are followed within these interim financial statements as adopted in the most recent annual financial statements.

The Group 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.

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

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

The Group 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%. Rights-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted at a cost of capital of 5.0%.

At inception of a contract, the Group 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 of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group 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 of the capacity of a physically distinct asset;
- The Group has the right to obtain substantially all of the economic benefits from use of the assets throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group 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 Group has the right to direct the use of the asset if the Group has the right to operate the asset.

On transition to IFRS 16, the Group recognised an additional £83,575 of right-of-use assets and the impact of discounting was considered immaterial so lease liabilities of £83,575 were also recognised. Therefore, no adjustment to equity at 1 April 2019 was made. In the period to 30 September 2019, depreciation of £6,905 was recognised in the statement of comprehensive income in relation to right of use assets.

The information presented within these interim financial statements complies 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 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Impairment of PHSC plc's investment in B2B Links Limited	-	-	200

3. Segmental Reporting

Revenue	30 Sept 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Security division: B2BSG Solutions Ltd	935	1,705	2,724
	935	1,705	2,724
Health & safety division			
Inspection Services (UK) Ltd	133	109	233
Personnel Health & Safety Consultants Ltd	367	311	657
Quality Leisure Management Ltd	194	218	438
RSA Environmental Health Ltd	207	191	404
	901	829	1,732
Quality systems division: QCS International Ltd	398	363	759
Total revenue	**2,234**	**2,897**	**5,215**

Profit/(loss) after taxation, before management charge	30 Sept 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Security division			
B2BSG Solutions Ltd	(42)	62	(31)
	(42)	62	(31)
Health & safety division			
Inspection Services (UK) Ltd	30	17	38
Personnel Health & Safety Consultants Ltd	137	114	249
Quality Leisure Management Ltd	49	41	93
RSA Environmental Health Ltd	43	26	61
	259	198	441
Quality systems division: QCS International Ltd	115	100	159
Holding company: PHSC plc	(184)	(156)	(368)
	148	204	201
Taxation adjustment (group loss relief and deferred tax)	-	12	-
Goodwill impairment	-	-	(200)
Total Group profit after taxation	**148**	**216**	**1**

Total assets	30 Sept 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Security division			
B2BSG Systems Ltd	602	1,112	553
	602	1,112	553
Safety division			
Inspection Services (UK) Ltd	218	233	193
Personnel Health & Safety Consultants Ltd	1,057	689	950
Quality Leisure Management Ltd	320	258	326
RSA Environmental Health Limited	684	619	636
	2,279	1,799	2,105
Quality division: QCS International Ltd	765	568	667
Discontinued: Adamson's Laboratory Services Ltd	-	18	-
Holding company: PHSC plc	3,249	4,146	3,366
	6,895	7,643	6,691
Adjustment of goodwill	(774)	(1,124)	(774)
Total assets	**6,121**	**6,519**	**5,917**

4. Property, plant and equipment

	30 Sept 19 Unaudited £'000	30 Sept 18 Unaudited £'000	31 Mar 19 Audited £'000
Cost or valuation			
Brought forward (as restated)	907	934	935
Additions	14	8	69
Disposals	(37)	(163)	(181)
Carried forward	884	779	823
Depreciation			
Brought forward	334	340	340
Charge	21	13	38
Disposals	(32)	(27)	(44)
Carried forward	323	326	334
Net book value	**561**	**453**	**489**

5. Earnings per share

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

	30 Sept 19 £'000 Unaudited	30 Sept 18 £'000 Unaudited	31 Mar 19 £'000
Earnings			
Continuing activities	148	216	1
Number of shares	30 Sept 19	30 Sept 18	31 Mar 19
Weighted average number of shares for the purpose of basic earnings per share	14,667,257	14,667,257	14,667,257