22 November 2022

PHSC PLC

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

Unaudited Interim Results for the six months ended 30 September 2022

PHSC (AIM: PHSC), a leading provider of health, safety, hygiene and environmental consultancy services and security solutions to the public and private sectors, is pleased to announce its unaudited interim results for the six-month period ended 30 September 2022.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group revenue of £1.679m (H1 FY22: £1.719m).
- EBITDA of £162k (H1 FY22: £163k including £29k of grant funding).
- Earnings per share of 0.90p (H1 FY22: 0.78p).
- Cash of £691k (H1 FY22: £902k).
- Net asset value (unaudited) of £3.6m following end-of-year write-downs (H1 FY22: £4.7m).
- Pro-forma net asset value (unaudited) per share of 30.6p, compared to a mid-market share price as at market close on 30 September 2022 of 19p.
- Interim dividend declared of 0.5p per ordinary share.

Operational Highlights and Business Outlook

Revenues and EBITDA at the interim stage were little changed from those in the same period last year. That said, the contributions from each subsidiary have been different with some showing improvement and others below where they previously were. All subsidiaries, however, have traded profitably over the reporting period. A breakdown of how each subsidiary has performed is set out in a separate section of this report below.

All subsidiaries were adversely affected by rising costs in many areas of the group's business, in particular in relation to travel and accommodation charges.

The Board took the decision to increase salaries in April 2022 and again in September 2022, although the latter increase did not impact the halfway stage. It was felt important to protect employee wellbeing and livelihoods at a time when inflationary pressures had eroded salary values. Staff retention is one of the Group's key performance indicators and with a tight labour market our longer-term success depends on attracting and retaining staff of the right calibre.

The retail sector shows no material signs of returning to pre-pandemic trading levels and the Group continues to closely monitor the performance of its B2BSG Solutions subsidiary which offers security solutions to that sector. Profitability has also been impacted by the weakness of Sterling, as all electronic tags and associated systems are purchased from abroad.

There has been a marked improvement in the fortunes of RSA Environmental Health, which predominantly sells into the education sector. This subsidiary has seen revenues rise by a third and EBITDA double when compared with the first half of the prior financial year as schools have returned to a normal way of trading.

Our Personnel Health and Safety Consultants subsidiary saw a marked reduction in sales over the equivalent reporting period in 2021, caused by the cessation of a Covid-related testing programme that ended when the pandemic abated. This led to around 40% lower EBITDA, although the subsidiary continues to trade very profitably.

Our leisure sector related subsidiary, Quality Leisure Management, saw revenues increased by over a third

with EBITDA more than 40% ahead, as activity in leisure facilities returned to pre-pandemic levels.

The contribution to revenues from our Scottish subsidiary, QCS International, was also higher than last year and there was a corresponding rise in profit.

The Board is confident that the Group is well-placed to deal with the circumstances that it will encounter over the remainder of the current financial year but acknowledges that cost pressures in an uncertain economic environment will create challenges.

Dividend

The Board believes that the Group will remain cash generative and there are sufficient cash reserves to enable the payment of an interim dividend. Accordingly, the Board has decided to declare an interim dividend of 0.5p per ordinary share, to be paid on 13 January 2023, to those shareholders on the register of members on 23 December 2022.

Any recommendation by the Board for a final dividend will be subject to the Group's full year performance, cash reserves, and the outlook at that time.

Cash Flow

Cash at bank on 30 September 2022 stood at £0.7m compared to approximately £0.9m at the same time last year. Over the 12 month period since the date of the last Interim results, the Company has made dividend distributions totalling £130k and undertaken a share buyback costing £312k inclusive of associated costs.

Despite no current expectation of having to call upon it, the Group has renewed its £50,000 banking facility with HSBC.

The Group has sufficient cash reserves to service the proposed interim dividend and all requirements arising in the normal course of business. There are currently no additional calls on the Company's cash. It is noted that authority was obtained at the last AGM for the Company to potentially undertake a further share buyback programme(s), however, no decision has been taken on this matter at the present time.

Discrete Performance by Trading Subsidiaries

Profit/loss figures for the individual subsidiaries below are stated before tax and inter-company charges (including the costs of operating the parent plc which are recovered through management charges levied on, and dividends received from, trading subsidiaries), interest paid and received, depreciation and amortisation.

Inspection Services (UK) Limited

Invoiced sales of £95,620 yielding a profit of £4,962 (H1 FY22: £94,392 and £10,923).

Personnel Health and Safety Consultants Limited

Invoiced sales of £423,253 yielding a profit of £119,478 (H1 FY22: £607,906 and £198,579).

RSA Environmental Health Limited

Invoiced sales of £174,625 resulting in a profit of £32,767 (H1 FY22: £130,953 and £15,646).

Quality Leisure Management Limited

Invoiced sales of £192,014 resulting in a profit of £67,769 (H1 FY22: £137,281 and £37,500).

QCS International Limited

Invoiced sales of £408,894 yielding a profit of £138,463 (H1 FY22: £356,968 and £113,668).

B2BSG Solutions Limited

Invoiced sales of £384,340 resulting in a profit of £2,825 (H1 FY22: £391,729 and loss of £16,738).

For further information please contact:

PHSC plc
Stephen King Tel: 01622 717 7000
Stephen.king@phsc.co.uk
www.phsc.plc.uk

Strand Hanson Limited (Nominated Adviser) Tel: 020 7409 3494
James Bellman/Matthew Chandler

Novum Securities Limited (Broker) Tel: 020 7399 9427
Colin Rowbury

About PHSC

PHSC, 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. In addition, B2BSG Solutions Ltd offers 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 Regulation (EU) No. 596/2014 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended.

Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 22 Unaudited £'000	Six months ended 30 Sept 21 Unaudited £'000	Year ended 31 Mar 22 Audited £'000
Continuing operations				
Revenue	3	1,679	1,719	3,571
Cost of sales		(804)	(888)	(1,939)
Gross profit		875	831	1,632
Administrative expenses		(744)	(727)	(1,446)
Goodwill impairment	2	-	-	(793)
Government grants		-	29	29
Other income		1	-	-
Profit from operations		132	133	(578)
Finance income		-	-	-
Profit before taxation		132	133	(578)
Corporation tax expense		(26)	(27)	(53)
Profit for the period after tax attributable to owners of parent	3	106	106	(631)
Total comprehensive income attributable to owners of the parent		**106**	**106**	**(631)**
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	0.90p	0.78p	(4.76)p

Group Statement of Financial Position	Note	30 Sept 22 Unaudited £'000	30 Sept 21 Unaudited £'000	31 Mar 22 Audited £'000
Non-current assets				
Property, plant and equipment	4	462	500	490
Goodwill		2,235	3,028	2,235
Deferred tax asset		16	2	16
		2,713	3,530	2,741
Current assets				
Inventories		206	252	186
Trade and other receivables		660	686	726
Cash and cash equivalents		691	902	649
		1,557	1,840	1,561
Total assets	3	**4,270**	**5,370**	**4,302**
Current liabilities				
Trade and other payables		471	460	617
Right of use lease liability		23	28	31
Current corporation tax payable		81	115	55
		575	603	703
Non-current liabilities				
Right of use lease liability		14	26	24
Deferred taxation liabilities		62	51	62
		76	77	86
Total liabilities		**651**	**680**	**789**
Net assets		**3,619**	**4,690**	**3,513**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,185	1,468	1,468
Share premium account		1,916	1,916	1,916
Capital redemption reserve		426	143	143
Merger relief reserve		134	134	134
Treasury shares		-	(335)	(645)
Retained earnings		(42)	1,364	497
		3,619	**4,690**	**3,513**

Group Statement of Changes in Equity

	Share Capital	Share Premium	Merger Relief Reserve	Capital Redemption Reserve	Treasury Shares	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2022	1,468	1,916	134	143	(645)	497	3,513
Profit for the period attributable to equity holders	-	-	-	-	-	106	106
Cancellation of treasury shares	(283)	-	-	283	645	(645)	-
Balance at 30 September 2022	1,185	1,916	134	426	-	(42)	3,619
Balance at 1 April 2021	1,468	1,916	134	143	-	1,258	4,919
Profit for the period attributable to equity holders	-	-	-	-	-	106	106
Purchase of treasury shares	-	-	-	-	(325)	-	(325)
Cost of share buyback	-	-	-	-	(10)	-	(10)
Balance at 30 September 2021	1,468	1,916	134	143	(335)	1,364	4,690

Group Statement of Cash Flows

	Six months ended 30 Sept 22 Unaudited £'000	Six months ended 30 Sept 21 Unaudited £'000	Year ended 31 Mar 22 Audited £'000
Cash flows generated from operating activities			
Cash generated from operations	62	17	313
Tax paid	-	-	(89)
Net cash generated from operating activities	62	17	224
Cash flows used in investing activities			
Purchase of property, plant and equipment	(2)	-	(22)
Disposal of fixed assets	-	-	-
Interest received	-	-	1
Net cash used in investing activities	(2)	-	(21)
Cash flows used in financing activities			
Payments on right of use assets	(18)	(17)	(16)
Share buyback	-	(335)	(645)
Dividends paid to Group shareholders	-	-	(130)
Net cash used in financing activities	(18)	(352)	(791)
Net increase/(decrease) in cash and cash equivalents	42	(335)	(588)
Cash and cash equivalents at beginning of period	649	1,237	1,237
Cash and cash equivalents at end of period	691	902	649

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	132	133	(578)
Depreciation charge	30	30	59
Goodwill impairment	-	-	793
Loss on sale of fixed assets	-	-	2
(Increase)/decrease in inventories	(20)	8	74
Decrease/(increase) in trade and other receivables	66	(96)	(136)
(Increase)/decrease in trade and other payables	(146)	(58)	99
Cash generated from operations	62	17	313

Notes to the Interim 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 announcement, 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 2022, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report for the 2022 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.

2. Exceptional Administrative Expenses

	Six months ended 30 Sept 22 Unaudited	Six months ended 30 Sept 21 Unaudited	Year ended 31 Mar 22 Audited
Impairment of PHSC plc's investment in	£'000	£'000	£'000
Inspection Services (UK) Limited	-	-	117
B2BSG Solutions Limited	-	-	676
	-	-	793

3. Segmental Reporting

	Six months ended 30 Sept 22 Unaudited £'000	Six months ended 30 Sept 21 Unaudited £'000	Year ended 31 Mar 22 Audited £'000
Revenue			
Security division: B2BSG Solutions Ltd	384	392	749
	384	392	749
Health & Safety division			
Inspection Services (UK) Ltd	96	94	187
Personnel Health & Safety Consultants Ltd	423	608	1,283
Quality Leisure Management Ltd	192	137	324
RSA Environmental Health Ltd	175	131	304
	886	970	2,098
Systems division: QCS International Ltd	409	357	724
Total revenue	**1,679**	**1,719**	**3,571**
Profit/(loss) after taxation, before management charge			
Security division: B2BSG Solutions Ltd	4	(13)	(55)
Health & Safety division			
Inspection Services (UK) Ltd	1	6	10
Personnel Health & Safety Consultants Ltd	102	166	294
Quality Leisure Management Ltd	56	30	87
RSA Environmental Health Ltd	25	13	47
	184	215	438
Systems division: QCS International Ltd	107	87	158
Holding company: PHSC plc	(189)	(183)	(379)
	106	106	162
Goodwill impairment	-	-	(793)
Total Group profit after taxation	**106**	**106**	**(631)**

Total assets	30 Sept 22 Unaudited £'000	30 Sept 21 Unaudited £'000	31 Mar 22 Audited £'000
Security division: B2BSG Solutions Ltd	178	292	197
Safety division			
Inspection Services (UK) Ltd	97	108	110
Personnel Health & Safety Consultants Ltd	289	470	630
Quality Leisure Management Ltd	185	166	226
RSA Environmental Health Limited	619	584	622
	1,190	1,328	1,588
Systems division: QCS International Ltd	395	337	454
Holding company: PHSC plc	3,270	4,184	2,826
	5,033	6,141	5,065
Adjustment of goodwill	(765)	(773)	(765)
Adjustment of deferred tax	2	2	2
Total assets	**4,270**	**5,370**	**4,302**

4. Property, plant and equipment

	30 Sept 22 Unaudited £'000	30 Sept 21 Unaudited £'000	31 Mar 22 Audited £'000
Cost or valuation			
Brought forward	928	928	928
Additions	2	-	22
Disposals	-	-	(22)
Carried forward	930	928	928
Depreciation			
Brought forward	438	398	398
Charge	30	30	59
Disposals	-	-	(19)
Carried forward	468	428	438
Net book value	**462**	**500**	**490**

5. Earnings per share

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

	Six months ended 30 Sept 22 Unaudited £'000	Six months ended 30 Sept 21 Unaudited £'000	Year ended 31 Mar 22 Audited £'000
Earnings			
Continuing activities	106	106	(631)
Number of shares	30 Sept 22	30 Sept 21	31 Mar 22
Weighted average number of shares for the purpose of basic earnings per share	11,847,019	13,646,497	13,250,966

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