14 July 2014

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

Preliminary Announcement of Results for the year ended 31 March 2014

Highlights:

- EBITDA improved by 22% at £0.733m, up from £0.603m
- Group revenues increased by 31% to £7.594m compared with £5.791m
- Cash reserves rise to £0.712m
- Group net assets of £6.4m
- Basic earnings per share up 16% to 4.24p from 3.64p
- Proposed final dividend held at 1.5p per share

I am pleased to present my review of the Group's performance over the year, and to update shareholders on the continuing progress made at PHSC plc.

A majority of Group revenue continues to arise from our core health and safety businesses. However, the growth areas are in those markets served by our most recent acquisitions. Our decision to diversify has enabled the Group to continue to combine its strong position in the health and safety field with its growing role as a provider of retail security solutions and quality management consultancy and training.

Revenue and Profit

Consolidated Group sales for the period rose to £7,594,300 from £5,791,300. The increase is primarily due to a full year's contribution from both of our newest subsidiaries, QCS International Limited (QCS) and B to B Links Limited (B to B). QCS was acquired at the end of July 2012 and B to B joined the Group in October 2012.

The Group generated a 22% increase to earnings before interest, taxation, depreciation and amortisation (EBITDA). The figure of £732,600 EBITDA that I am reporting today compares with £603,100 generated in the previous year.

Fundraising and Share Issue

On 27 September 2013 the Company announced that it had raised £520,000 before expenses through a placing of 2,080,000 new Ordinary Shares of 10p each. Those shares were priced at 25p each, and the placing was primarily taken up by institutional investors with some director participation. The new shares represent approximately 16% of the enlarged issued share capital. The fundraising was to provide additional working capital.

Costs

All subsidiaries are focused on controlling costs and ensuring that all expenditure is necessary and reasonable. There were no costs at any subsidiary over and above the normal expenditure requirements, except for £12,500 in connection with one administrative post that was made redundant at Quality Leisure Management Limited.

New computers and a server with associated software were installed at our Aylesford offices to replace old IT equipment that had been in use since 2004. The costs were around £20,000.

Acquisition Stage Payments

QCS International Limited (QCS)

In accordance with the terms of the purchase agreement, a sum of £160,000 fell due in July 2013, being the first anniversary of completion. After a revision to the value of assets on the date of acquisition, the payment made on the anniversary was £121,000.

The agreement provides for a final payment of £80,000, subject to adjustment up or down according to QCS's performance against targets, for the two-year period to the end of July 2014. Payment falls due once management accounts are prepared and agreed with the seller, and this is expected to be no later than 1 August 2014.

B to B Links Limited (B to B)

In accordance with the terms of the purchase agreement, a sum of £320,000 fell due on 30 September 2013, being the first anniversary of completion. This amount has been paid.

A final payment of between £120,000 and £800,000 is provided for in the purchase agreement. This is subject to B to B's performance over the two-year period since the business was acquired. With an anniversary date of 30 September, it is expected that agreement on the earn-out payment will be reached towards the end of October 2014 after management accounts have been prepared.

Other Opportunities

The Group is not considering any further acquisitions in 2014/15. Having grown the Group to one that has £7.59m revenues compared with £4.45m two years ago, we consider that it is necessary to continue with a period of consolidation and integration.

Corporate Structure

There has been no change to the make-up of the board since the Company joined AIM in June 2005. It consists of myself, Nicola Coote (executive director), and two non-executive directors (Mike Miller, who chairs the audit committee, and Graham Webb MBE who chairs the remuneration committee). The contracts of both non-executives have been extended until 31 March 2015. The board is mindful of guidance concerning the length of service for non-executive directors and is satisfied that there are presently overriding business reasons for maintaining the status quo.

Our chartered secretary, Lorraine Young, supports the board and its committees. All corporate matters relating to accounting are ably dealt with by our Group Accountant, Candy Wilton.

There were no changes to directors at subsidiary level during the year. The Managing Director of QCS International Limited, Rosalynne Shields, intends to relinquish her position for personal reasons on 31 December 2014. It is proposed that this role is filled internally through the promotion of Ian Phillips. Mrs Shields has agreed to remain in a part-time non-executive capacity for an initial period of twelve months thereafter, to support her successor and to assist the board of PHSC plc with the transitional process. Mr Phillips will be appointed as QCS's Deputy Managing Director on 1 August 2014 and Audrey Smith will become the company's Training Sales Director on the same date.

Employees

The Group is grateful for the continued commitment and support from all levels of employee at each subsidiary, and of those working directly for PHSC plc. Every individual is valued, and each person is contributing to the success of their individual company and the group as a whole.

Performance by Trading Subsidiaries

Profit figures below are stated before tax and Group management charges. Note that revenues for services are credited to the company generating the sale even if the work is delivered by a sister company. For that reason, reference should be made to the Group's overall performance instead of looking at how individual subsidiaries have fared.

Personnel Health and Safety Consultants Limited

Sales of £749,500 yielding a profit of £327,600.
In the previous year there were sales of £765,500 and a profit of £300,000.

RSA Environmental Health Limited

Sales of £499,400 yielding a profit of £55,900.
In the previous year there were sales of £420,000 and a profit of £10,900.

Adamson's Laboratory Services Limited

Sales of £2,660,300 yielding a profit of £312,300.
In the previous year there were sales of £2,366,900, yielding a combined profit of £366,700.

Inspection Services (UK) Limited

Sales of £195,100 yielding a profit of £5,600.
In the previous year there were sales of £202,100, yielding a profit of £6,600.

Quality Leisure Management Limited

Sales of £463,500 resulting in a loss of £4,500.
In the previous year there were sales of £607,600, yielding a profit of £119,300.

B to B Links Limited

Sales of £2,510,300 yielding a profit of £257,600.
The previous year covered only the six-month period since acquisition, in which there were sales of £1,093,800 yielding a profit of £83,500.

QCS International Limited

Sales of £516,200 yielding a profit of £161,800.

The previous year covered the eight-month period since acquisition, in which there were sales of £334,600 yielding a profit of £98,000.

Net Asset Value

As at 31 March 2014, the Company had net assets of £6.44 million. There were 12,686,348 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 50.7p. At today's price of 30.5p per share, the Ordinary Shares of the Company are currently trading at a discount of almost 40% to the net asset value.

A proportion of the Company's assets consists of goodwill associated with the various acquisitions it has made. Each year we review the level of goodwill relating to subsidiaries to make sure that their values on the balance sheet can still be justified. This year we have felt it necessary to write down the carrying value of RSA Environmental Health Limited by £26,648. When acquired in 2004 this subsidiary derived the majority of its revenue and profit from work that had been outsourced by Local Authorities but this income stream has progressively reduced as public sector budgets have been pared back. We remain comfortable with all other valuations.

Dividend

The board is proposing a final dividend of 1.5p per ordinary share. This is in line with the dividend paid last year. Subject to approval at the annual general meeting, the dividend of 1.5p per ordinary share will be paid on 30 September 2014 to shareholders on the register as at 22 August 2014.

Prospects

Health and Safety

The legacy businesses continue to be responsible for the larger share of revenue, generating £4.567m of sales compared with £4.362m in the previous year. Despite the £0.2m increase in sales, profitability declined by a little over £0.1m. This is an indication of ever-reducing margins in a sector that has become very competitive and where the number of providers has risen faster than the requirement for services. Costs tend to increase year-to-year but price sensitivity means that it is progressively more difficult to win new work at previous margins.

We continue to benefit from a diverse number of clients within our portfolio, including several that have a fairly robust safety culture and who seek continuous improvement. However, a lighter regulatory approach has led to some employers opting to spend less on compliance services, and reduces the incentive to invest in services such as non-mandatory training and other areas of discretionary spend.

Our major income streams continue to be derived from activities such as asbestos management, health care training, public transport safety consultancy, and supporting the education sector. We continue to serve the leisure industry, and we carry out statutory examination of plant and machinery via insurance brokers or directly for clients.

Quality systems

It is encouraging to report that our QCS subsidiary has exceeded management expectations, both in terms of revenue and profitability. Most of the growth is within Scotland, but there has been some expansion into England, and cross-selling opportunities mean that QCS has begun to win work for other subsidiaries of the Group. In 2015 there will be significant changes to the main quality standards for which the company offers training and consultancy services. This presents a growth opportunity, whereby the company can promote its ability to support those companies who wish to prepare for the revised standards.

SafetyMARK

This is a support and auditing service, leading to certification, offered to schools and colleges by the In House division of RSA Environmental Health Limited. As predicted in last year's report, direct annual income from subscriptions to the service have more than doubled, standing at £72,000 compared with £31,000 last year. On top of annual subscriptions, training and consultancy services are purchased by many of these clients. School work increased by around £111,000 in 2013-14, and is rapidly replacing other work that had traditionally been delivered by the company. The uplift in value compares with a contraction of around £82,000 in non-school revenues for the company.

The number of educational establishments signed up to the programme stands at approximately 100, with new joiners at the rate of a one a week. Contract renewals are presently running at 90%. Extra services are being introduced to enhance the value of contracts and to encourage client retention.

Retail security
Our most recent acquisition, B to B, has enjoyed a year of increasing revenues. The majority of sales were generated from national accounts in the department store, grocery, mixed goods and fashion retail sectors. In addition independent retail customers have been, and continue to be, an important source of revenue. Total sales of £2.6m compare with £1.6m in the year prior to acquisition.

The general outlook for retail has improved over the last 12 months with the economy's return to growth and increased consumer and business confidence. Demand for retail security products and services remains strong as levels of customer theft have continued to rise. The company's CCTV, security tagging and labelling offer remains competitive and the brand presence has developed to the point where the company is regularly gaining new national retail customers. Key priorities for 2015 include maintaining national account activity, growing independent retail sales and making efficiencies in sub-contractor and logistics expenditure.

Outlook

Much of the headline growth in revenue and profit in the last two years has been a result of the contributions made by the two most recent acquisitions. In 2013-14, both of these new companies made a full-year contribution for the first time.

The board sees 2014-15 as a year of consolidation, with no material changes to overall performance anticipated. With the last of the acquisition payments due to be made by the end of 2014, there is scope to begin to accumulate a more comfortable level of cash reserves.

We are confident that revenues from our retained clients will continue in similar vein to previous years, and that this can be supplemented by income from the newer subsidiaries. We will seek to win business both in the areas that we have traditionally operated in, and those new areas open to us through the diversification strategy that we have successfully adopted.

On behalf of the Board I would like to thank all our longstanding shareholders for their continued support, and to welcome those new investors who have joined the share register as a result of our placing last Autumn.

Stephen King
Group Chief Executive

GROUP STATEMENT OF FINANCIAL POSITION as at 31 March 2014

	31.3.14	31.3.13
	£	£
Non-current assets		
Property, plant and equipment	695,660	713,262
Goodwill	4,609,206	4,637,077
Deferred tax	55	2,742
	5,304,921	5,353,081
Current assets		
Inventories	154,270	152,871
Trade and other receivables	1,935,280	2,037,724
Cash and cash equivalents	712,397	216,088
	2,801,947	2,406,683
Total assets	**8,106,868**	**7,759,764**
Current liabilities		
Trade and other payables	1,134,645	1,098,678
Financial liabilities	6,498	13,198
Current corporation tax payable	127,474	174,464
Deferred consideration	330,000	441,148
	1,598,617	1,727,488
Non-current liabilities		
Financial liabilities	-	6,498
Deferred consideration	-	330,000
Deferred tax liabilities	67,817	68,628
	67,817	405,126
Total liabilities	**1,666,434**	**2,132,614**
Net assets	**6,440,434**	**5,627,150**
Capital and reserves attributable to equity holders of the Group		
Called up share capital	1,268,634	1,060,634
Share premium account	1,831,194	1,555,529
Capital redemption reserve	143,628	143,628
Retained earnings	3,196,978	2,867,359
	6,440,434	**5,627,150**

GROUP STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2014

	31.3.14 £	31.3.13 £
Continuing operations:		
Revenue	7,594,281	5,791,359
Cost of sales	(4,356,092)	(3,010,500)
Gross profit	3,238,189	2,780,859
Administrative expenses	(2,583,170)	(2,268,026)
Other income	1,096	5,682
Profit from operations	656,115	518,515
Finance income	259	2,163
Finance costs	(1,524)	(850)
Profit before taxation	654,850	519,828
Corporation tax expense	(160,771)	(137,477)
Profit for the year after tax attributable to owners of the parent	**494,079**	**382,351**
Other comprehensive income	-	-
Total comprehensive income attributable to owners of the parent	**494,079**	**382,351**
Attributable to:		
Equity holders of the Group	494,079	382,351
Basic Earnings per Share for profit after tax and total comprehensive income from continuing operations attributable to the equity holders of the Group during the year	4.24p	3.64p

The company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company profit and loss account. The loss for the year before dividends received from subsidiaries (2014 - £400,000, 2013 – £nil) was £1,536 (2013 – loss £96,917). There were no recognised gains and losses for 2014 or 2013 other than those included in the company profit and loss account.

GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2014

	Share Capital £	Share Premium £	Capital Redemption Reserve £	Retained Earnings £	Total £
Balance at 1 April 2012	1,038,196	1,497,409	143,628	2,691,148	5,370,381
Profit for year attributable to equity holders	-	-	-	382,351	382,351
Issue of shares	22,438	70,300	-	-	92,738
Stamp duty on issue of shares		(12,180)	-	-	(12,180)
Deferred tax adjustment to property valuation	-	-	-	3,083	3,083
Dividends	-	-	-	(209,223)	(209,223)
Balance at 31 March 2013	1,060,634	1,555,529	143,628	2,867,359	5,627,150
Balance at 1 April 2013	1,060,634	1,555,529	143,628	2,867,359	5,627,150
Profit for year attributable to equity holders	-	-	-	494,079	494,079
Issue of shares	208,000	275,665	-	-	483,665
Deferred tax adjustment to property valuation	-	-	-	(5,365)	(5,365)
Dividends	-	-	-	(159,095)	(159,095)
	1,268,634	1,831,194	143,628	3,196,978	6,440,434

GROUP STATEMENT OF CASH FLOWS for the year ended 31 March 2014

	31.3.14 £	31.3.13 £
Cash flows from operating activities:		
Cash generated from operations	856,360	427,108
Interest paid	(1,524)	(850)
Tax paid	(211,275)	(182,705)
Net cash generated from operating activities	**643,561**	**243,553**
Cash flows used in investing activities		
Purchase of property, plant and equipment	(30,933)	(25,371)
Purchase of subsidiary companies (net of cash acquired)	(441,148)	(785,866)
Disposal of fixed assets	-	88,250
Interest received	259	2,163
Net cash used in investing activities	**(471,822)**	**(720,824)**
Cash flows from/(used by) financing activities		
Proceeds from placement of shares	483,665	-
Dividends paid to Group shareholders	(159,095)	(209,223)
Net cash from/(used by) financing activities	**324,570**	**(209,223)**
Net increase/(decrease) in cash and cash equivalents	**496,309**	**(686,494)**
Cash and cash equivalents at beginning of year	216,088	902,582
Cash and cash equivalents at end of year	**712,397**	**216,088**

NOTES TO THE GROUP STATEMENT OF CASH FLOW for the year ended 31 March 2014

	31.3.14 £	31.3.13 £
CASH GENERATED FROM OPERATIONS		
Operating profit – continuing operations	656,115	518,515
Depreciation charge	48,533	45,172
Goodwill impairment	27,898	39,387
Profit on sale of fixed assets	-	(5,184)
Increase in inventories	(1,399)	(14,884)
(Increase)/decrease in trade and other receivables	102,444	(335,953)
Increase/(decrease) in trade and other payables	35,967	187,417
Decrease in financial liabilities	(13,198)	(7,362)
Cash generated from operations	**856,360**	**427,108**

NOTE TO THE PRELIMINARY RESULTS ANNOUNCEMENT OF PHSC PLC FOR THE YEAR ENDED 31 MARCH 2014

The financial information set out above does not constitute the Group's financial statements for the years ended 31 March 2014 or 2013, but is derived from those financial statements. Statutory financial statements for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following their approval by the board and dispatch to shareholders. The auditors have not yet reported on the 2014 financial statements.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this preliminary announcement are consistent with those in the full financial statements that have yet to be published.

For further information please contact:

PHSC plc
Stephen King 01622 717700
www.phsc.plc.uk

Northland Capital Partners Limited
Gavin Burnell / Edward Hutton / Lauren Kettle 020 7382 1100
John Howes / Alice Lane (Broking)