5 December 2017

PHSC PLC
(“PHSC”, the “Company”, or the “Group”)

Unaudited Interim Results for the six months ended 30 September 2017

GROUP CHIEF EXECUTIVE OFFICER’S STATEMENT

Financial Highlights

- Group turnover for first half up 3.7% at £3.720m compared with £3.587m last year.
- EBITDA of £197k, versus a loss of £93k at the half way stage last year.
- Earnings per share of 1.08p compared with a loss of 0.85p last year.
- Cash of £129k compared with £301k last year.
- Net asset value (unaudited) of £5.680m.
- Pro-forma net asset value (unaudited) per share of 38.7p compared to a current share price (mid) of 11p.
- Interim dividend declared of 0.5p per Ordinary Share.

Operational Highlights

- 61% of revenues in security related technology services compared with 55% last year.
- On-going rationalisation and cost reduction programme.

Trading overview

The board is pleased to be able to report a return to profitability. Our EBITDA of £197,000 compares with a loss of £93,000 for the corresponding period last year, meaning an improvement in performance of £290,000. This turnaround has been achieved through a combination of factors: improved performance in our security technology businesses, strong revenues from quality systems management and training, steady income from general health and safety services, and reduced losses from asbestos consultancy.

QCS International Limited (QCS) has enjoyed an excellent first half to the financial year. Revenues have been extremely strong as the company benefited from an increased demand for management systems training.

Total income from the security related businesses, B to B Links Limited (B to B) and SG Systems Limited (SG), was £2.26m and generated EBITDA of £149,700 before management charges. The corresponding figures last year were £1.98m and £19,200. B to B finished the first half strongly, despite continuing to suffer the effects of the weak exchange rate. The company imports the vast majority of its electronic components from Europe or Asia with payment having to be made in USD or Euros. The second half of the year is traditionally unpredictable, with retail clients tending to defer projects that may prove disruptive to their sales over the Christmas period. Q3 is therefore seen as being quieter, with a focus on completion of those installations currently underway before the go-ahead is given for new installations and further upgrade work.

The first half cumulative loss for SG resulted from additional costs associated with external accounting support and other costs associated with changing the company's accounts manager. The hybrid accounting system inherited at the time of acquisition is in the process of being replaced by one that is compatible with that used by B to B, as those companies move closer towards integration. Without these costs the company would have turned a small profit for the first half despite the negative effect of the weakness of Sterling. The new business pipeline continues to be encouraging, with very good feedback and interest at the recent Retail Fraud Show where one of the company's products was shortlisted in the Most Innovative In-Store Solution category. The volume potential from new products is significant, but it will take time for product trials with national retailers to convert to regular sales.

Outlook

Whilst we will look to consolidate the progress made in the year to date, there are a number of uncertainties that may impact on the second half of the year. With an increasing reliance upon security systems and related technology, our success is fairly closely aligned to the fortunes of the retail environment and this is an unpredictable marketplace. We continue to strengthen relationships with existing clients and seek to form new partnerships with others, as well as extending our offering to non-retail sectors.

The board has come to the view that falling revenues and lower margins at our loss-making Adamson's Laboratory Services Limited (ALS) subsidiary cannot be eliminated if we follow the current operating model. Despite cost-cutting that enabled the company to reduce its losses by 30% in the period, local management has been unable to identify a plan of action that would see a stabilisation of the company. It is planned that asbestos management services are procured externally, with ALS acting as an intermediary. This will result in the majority of remaining posts becoming redundant at the end of Q3. The company trades from Group-owned premises in Essex and Northamptonshire. It is likely that the Essex premises will be disposed of in due course. Costs will be associated with the restructuring and will mostly be borne in the second half of the year.

The remaining health and safety businesses are expected to remain profitable in the second half. There are high expectations that QCS will continue to exceed targets for sales and profits in the delivery of quality management consultancy and training services. Sales are already looking promising with high levels of training already secured, and additional income expected from new consultancy projects recently won.

Dividend

The board has declared an interim dividend of 0.5p per ordinary share, to be paid on 28 February 2018 to those on the register of members on 5 January 2018.

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 30th September 2017 stood at £129k compared with £301k at the same time last year.

A final payment of £25,000 will be paid on 11 December 2017 to the sellers of SG in settlement of the acquisition terms.

Other than in the normal course of business and as outlined above, there are no future calls on the Company's cash.

The Company retains its £300,000 overdraft facility with HSBC.

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 £283,400 resulting in a loss of £62,700 before redundancy costs of £8,800 (the equivalent figures for the same period last year were £509,800 and a loss of £101,400).

Inspection Services (UK) Limited

Invoiced sales of £108,700 yielding a profit of £25,200 (the figures for the same period last year were £111,200 and £23,000).

Personnel Health and Safety Consultants Limited

Invoiced sales of £317,600 yielding a profit of £123,900 (the figures for the same period last year were £340,300 and £108,100).

RSA Environmental Health Limited

Invoiced sales of £174,600 resulting in a profit of £20,900 (the figures for the same period last year were £189,200 and £34,600).

Quality Leisure Management Limited

Invoiced sales of £203,000 resulting in a profit of £52,300 (the figures for the same period last year were £196,400 and £6,400).

QCS International Limited

Invoiced sales of £372,100 yielding a profit of £145,900 (the figures for the same period last year were £258,600 and £67,300).

B to B Links Limited

Invoiced sales of £1,521,800 yielding a profit of £169,400 (the figures for the same period last year were £1,237,900 and £38,000).

SG Systems (UK) Limited

Invoiced sales of £738,700 resulting in a loss of £19,700 (the figures for the same period last year were £743,700 and a loss of £18,800).

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

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About PHSC

PHSC plc, through its trading subsidiaries Personnel Health & Safety Consultants Ltd, RSA Environmental Health Ltd, Adamson's Laboratory Services 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. B to B Links Ltd provides innovative security tagging, product protection, CCTV and labelling solutions to national and independent retailers. SG Systems UK is a market leading provider of anti-theft solutions for retail loss prevention, and customer activity marketing data.

Group Statement of Comprehensive Income

	Note	Six months ended 30 Sept 17 Unaudited £'000	Six months ended 30 Sept 16 Unaudited £'000	Year ended 31 Mar 17 Audited £'000
Continuing operations				
Revenue	3	3,720	3,587	7,162
Cost of sales		(1,994)	(1,990)	(3,988)
Gross profit		1,726	1,597	3,174
Administrative expenses		(1,546)	(1,713)	(3,319)
Goodwill impairment	2	-	-	(625)
Other income		-	1	1
Profit/(loss) from operations		180	(115)	(769)
Fair value movement on contingent consideration		-	-	50
Finance income		-	1	1
Finance costs		(2)	-	(2)
Profit/(loss) before taxation		178	(114)	(720)
Corporation tax expense		(19)	-	29
Profit/(loss) for the period after tax attributable to owners of parent	3	159	(114)	(691)
Total comprehensive income attributable to owners of the parent		**159**	**(114)**	**(691)**
Basic and diluted Earnings per Share for profit/(loss) after tax from continuing operations attributable to the equity holders of the Group during the period	5	1.08p	(0.85)p	(4.92p)

Group Statement of Financial Position	Note	30 Sept 17 Unaudited £'000	30 Sept 16 Unaudited £'000	31 Mar 17 Audited £'000
Non-current assets				
Property, plant and equipment	4	620	653	626
Goodwill		3,878	4,504	3,878
Deferred tax asset		22	1	22
		4,520	5,158	4,526
Current assets				
Inventories		492	493	487
Trade and other receivables		1,880	1,697	1,448
Cash and cash equivalents		129	301	207
		2,501	2,491	2,142
Total assets	3	**7,021**	**7,649**	**6,668**
Current liabilities				
Trade and other payables		1,239	1,129	1,064
Current corporation tax payable		19	84	-
Deferred consideration		-	200	-
Contingent consideration		25	-	25
		1,283	1,413	1,089
Non-current liabilities				
Deferred taxation liabilities		58	63	58
Contingent consideration		-	75	-
		58	138	58
Total liabilities		**1,341**	**1,551**	**1,147**
Net assets		**5,680**	**6,098**	**5,521**
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	1,915	1,916
Capital redemption reserve		144	144	144
Merger relief reserve		134	134	134
Retained earnings		2,018	2,437	1,859
		5,680	**6,098**	**5,521**

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 2017	1,468	1,916	144	134	1,859	5,521
Profit for the period attributable to equity holders	-	-	-	-	159	159
Balance at 30 September 2017	1,468	1,916	144	134	2,018	5,680
Balance at 1 April 2016	1,309	1,751	144	134	2,747	6,085
Profit for the period attributable to equity holders	-	-	-	-	(114)	(114)
Share issue	159	164	-	-	-	323
Dividends	-	-	-	-	(196)	(196)
Balance at 30 September 2016	1,468	1,915	144	134	2,437	6,098

Group Statement of Cash Flows	Six months ended 30 Sept 17 Unaudited £'000	Six months ended 30 Sept 16 Unaudited £'000	Year ended 31 Mar 17 Audited £'000
Cash flows (used by)/generated from operating activities			
Cash (used by)/generated from operations	(66)	(64)	125
Interest paid	(2)	-	(2)
Tax paid	-	(19)	(100)
Net cash (used by)/generated from operating activities	(68)	(83)	23
Cash flows (used in)/from investing activities			
Purchase of property, plant and equipment	(10)	-	(2)
Disposal of fixed assets	-	-	2
Interest received	-	1	1
Net cash (used in)/from investing activities	(10)	1	1
Cash flows from/(used in) financing activities			
Payment of deferred consideration	-	-	(200)
Dividends paid to group shareholders	-	(196)	(196)
Proceeds from share placement	-	323	323
Net cash from/(used in) financing activities	-	127	(73)
Net (decrease)/increase in cash and cash equivalents	(78)	45	(49)
Cash and cash equivalents at beginning of period	207	256	256
Cash and cash equivalents at end of period	129	301	207

Notes to the cash flow statement

Cash (used by)/generated from operations			
Operating profit/(loss) - continuing operations	180	(114)	(719)
Depreciation charge	16	21	44
Goodwill impairment	-	-	625
Fair value movement contingent consideration	-		(50)
Loss on sale of fixed assets	-	-	6
Increase in inventories	(4)	(77)	(71)
(Increase)/decrease in trade and other receivables	(433)	198	447
Increase/(decrease) in trade and other payables	175	(92)	(157)
Cash (used by)/generated from operations	(66)	(64)	125

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 2017, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2017 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

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. The directors have assessed the potential impact of IFRS 15 and do not expect that the adoption of this standard will have a material impact on the financial statements of the Group in future periods. IFRS 16 may have an impact on the measurement and treatment of operating leases and related disclosures. As at 31 March 2017 the estimated impact of the transition to IFRS 16 would be to increase tangible fixed assets and liabilities by approximately £130,000. The impact on the statement of comprehensive income is not expected to be material to the 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:

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 positive and an impairment charge in these interim accounts is not therefore considered necessary and will be reassessed at the year end.

		30 Sept 17	30 Sept 16	31 Mar 17
		Unaudited	Unaudited	Audited
2	**Exceptional Administrative Expenses**	£'000	£'000	£'000
	Impairment of PHSC plc’s investment in Adamson’s Laboratory Services Limited	-	-	625

Notes to the Financial Statements (continued)

	30 Sept 17	30 Sept 16	31 Mar 17
3 Segmental Reporting	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue			
PHSC plc	-	-	-
Personnel Health & Safety Consultants Ltd	318	340	667
RSA Environmental Health Ltd	175	189	374
Adamson's Laboratory Services Ltd	283	510	823
Inspection Services Ltd	109	111	228
Quality Leisure Management Ltd	203	196	437
Q C S International Ltd	372	259	624
B to B Links Ltd	1,522	1,238	2,595
SG Systems (UK) Ltd	738	744	1,414
	3,720	3,587	7,162
Profit/(loss) after taxation, before management charge			
PHSC plc	(257)	(259)	(536)
Personnel Health & Safety Consultants Ltd	114	90	255
RSA Environmental Health Ltd	21	30	65
Adamson's Laboratory Services Ltd	(75)	(105)	(195)
Inspection Services Ltd	22	19	44
Quality Leisure Management Ltd	45	5	75
Q C S International Ltd	122	58	210
B to B Links Ltd	166	33	75
SG Systems (UK) Ltd	(21)	(20)	(109)
	137	(149)	(116)
Taxation adjustment (group loss relief and deferred tax)	22	35	-
Fair value movement on contingent consideration	-	-	50
Goodwill impairment	-	-	(625)
	159	(114)	(691)
Total assets			
PHSC plc	4,005	4,037	3,955
Personnel Health & Safety Consultants Ltd	776	951	863
RSA Environmental Health Limited	589	612	593
Adamson's Laboratory Services Ltd	271	954	364
Inspection Services Ltd	196	189	164
Quality Leisure Management Ltd	250	205	263
Q C S International Ltd	539	426	420
B to B Links Ltd	1,385	1,170	1,175
SG Systems (UK) Ltd	346	404	207
	8,357	8,948	8,004
Adjustment of goodwill	(1,336)	(1,299)	(1,336)
	7,021	7,649	6,668

Notes to the Financial Statements (continued)

		30 Sept 17	30 Sept 16	31 Mar 17
		Unaudited	Unaudited	Audited
4	**Property, plant and equipment**	£'000	£'000	£'000
	Cost or valuation			
	Brought forward	1,066	1,079	1,083
	Additions	10	-	2
	Disposals	(7)	-	(19)
	Carried forward	1,069	1,079	1,066
	Depreciation			
	Brought forward	440	404	408
	Charge	16	22	44
	Disposals	(7)	-	(12)
	Carried forward	449	426	440
	Net book value	620	653	626

5 Earnings per share

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

	30 Sept 17	30 Sept 16	31 Mar 17
	£'000	£'000	£'000
	Unaudited	Unaudited	Final
Earnings			
Continuing activities	159	(114)	(691)
Number of shares	30 Sept 17	30 Sept 16	31 Mar 17
Weighted average number of shares for the purpose of basic earnings per share	14,677,257	13,451,480	14,062,687