

13 May 2020

## PHSC PLC

### Trading Update and Commentary on COVID-19 Impact

PHSC plc ("the Group"), a leading provider of health, safety, hygiene and environmental consultancy services and security solutions to the public and private sectors, announces an update on its performance for the financial year ended 31 March 2020. The Group also provides an update on how it is being impacted by the COVID-19 pandemic.

#### Trading for the year ended 31 March 2020

Unaudited management accounts for the year ended 31 March 2020 show consolidated Group revenue of approximately £4.43 million (31 March 2019: £5.21 million) and EBITDA of approximately £280,000 for the period (31 March 2019: £116,000 prior to exceptional gain from property sale).

Revenues for the year ended 31 March 2020 were, as with the interim results, impacted by a reduction in revenues from the Group's security division, as the retail sector continued to struggle. In line with the interims, this has resulted in the security division accounting for approximately 40% (31 March 2019: 52%) of the Group's revenues, with the Group's health, safety and management systems businesses accounting for approximately 60% (31 March 2019: 48%) of Group revenues.

EBITDA margin though increased as a result of lower overheads and premises-related savings across the Group. In addition, the Group's health, safety and management systems companies contributed higher profits and whilst the security division continued to be loss-making in a challenging environment, it reduced its year-on-year losses by a third. Full details about the performances of individual subsidiaries will be given at the time we announce our final results for the year ended 31 March 2020.

Cash at bank as at 11 May 2020 was approximately £850,000, though it should be noted that the Group has taken advantage of the opportunity to defer payment of £163,000 of VAT relating to Q4 of 2019/20 under the Government's COVID-19 scheme. In addition, as set out below, the Group has furloughed a number of its staff under the Government's Job Retention scheme. The Group also has a £150,000 overdraft facility with HSBC which is presently unused.

The above financial information is drawn from the Group's management accounts and is subject to audit and therefore may change. The Group currently expects to announce its final results for the year ended 31 March 2020 by mid-August 2020. In line with its obligations and as part of the audit process, the Board will consider whether any impairment provisions are necessary within the Group. This will require a judgement as to what provision is appropriate in the normal course of events and what the post-COVID-19 landscape will look like.

#### Impact of COVID-19

The COVID-19 pandemic has had an adverse impact on the year ended 31 March 2020, though not to a material extent. The financial consequences of COVID-19 will be seen in 2020/21, though are at this stage very difficult to quantify due to the uncertainty of how the UK economy will emerge from the current restrictions in place as a result of COVID-19. As set out above, the Group enjoys a strong cash position, even after allowing for the deferred VAT obligation and the Board currently does not expect to have to use the Group's overdraft facility.

The Group has sought to reduce its costs and has taken advantage of the Government's Job Retention scheme, with approximately half of its staff furloughed at any one time. In addition, as set out below, the Group continues to provide certain services to clients where it is viable to do so and in compliance with current Government guidelines. The Group's priority at this time is to ensure the health, safety and wellbeing of its customers and staff.

PHSC plc has furloughed one part-time accounts administrator. One Non-executive Director is currently shielding on Government advice and has been furloughed, though is available to carry out statutory functions as required. Other Directors, although still working, have voluntarily reduced their salaries by 20% for the duration of the Government's Job Retention scheme.

Different Group subsidiaries have been affected in different ways. Quality Leisure Management Limited and RSA Environmental Health Limited ordinarily supply the leisure industry and the education sector respectively.

These types of premises are all effectively closed and this has meant that the majority of staff at these subsidiaries have been furloughed. The remaining staff have been working hard to convert certain training courses, normally delivered face-to-face, so that they can be delivered remotely. There has been some early interest in this new way of operating and we hope to see further progress here.

QCS International Limited continues to service many of its clients and is able to conduct a number of consultancy and training activities remotely. Efforts are being made to deliver courses remotely where appropriate, and to hold some courses at the company's training room, where social distancing can be achieved. Ultimately the success of public training at our venue will depend on clients' appetites for moving towards a more normalised situation. This subsidiary is in Scotland and will be required to comply with the national strategy to tackle COVID-19, which may vary from the rest of Group's operations which are based in England.

Inspection Services (UK) Limited staff are deemed as key workers, as they perform the essential function of carrying out statutory examinations of plant and equipment. Unlike with motor vehicles, where there has been a six-month extension to the validity of MOT test certificates, the Government has not relaxed the examination frequencies for lifting equipment and for pressure systems. Those workplaces that have been mandated to close, or have opted to close, have been advised to facilitate access to enable examinations to take place as normal. Most work is therefore continuing, though there has been some disruption to normal sequencing and the efficiency with which visits can be timetabled.

Personnel Health and Safety Consultants Limited has furloughed a small number of staff, as it adjusts to a reduced workload. In common with other subsidiaries offering consultancy support, there is a certain amount of retainer income that continues to be received. This subsidiary has also moved to convert some training courses so they can be delivered via online platforms.

All except two employees at the Group's security subsidiary, B2BSG Solutions Limited, have been furloughed. The security division focuses almost exclusively on the retail sector, which has been impacted by the closure of all non-essential retail premises. There is a small order volume relating to clients who sell food and to non-retailers, though most revenue ceased once the lockdown was introduced. Headcount within the division has also been reduced, in anticipation of weaker customer demand once stores are given permission to reopen, with three out of the division's 11 employees having been declared redundant. The Board currently anticipates that by that time, consumer behaviour will have changed and the trend to online shopping will have accelerated, and that there will be a greater number of store closures on the high street.

The Group will continue to keep all measures under review, prioritising the safety of all of its stakeholders and will keep shareholders updated as appropriate.

*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.*

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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 Solutions Limited offers innovative security solutions including electronic tagging, labelling and CCTV.