23 November 2021

PHSC PLC

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

Unaudited Interim Results for the six months ended 30 September 2021

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 2021.

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Financial Highlights

- Group revenue excluding grant funding of £1.719m (H1 FY21: £1.377m).
- EBITDA of £163k (includes £29k of grant funding) (H1 FY21: £182k including £316k of grant funding).
    - Lower EBITDA reflects a reduction of £287k in grant funding over the period.
    - Adjusted EBITDA, excluding all grant funding, of £134k (H1 FY21: £134k loss).
- Earnings per share of 0.78p (H1 FY21: 0.83p).
- Successful share buyback programme completed during the period, as previously announced.
- Cash of £902k after £325k cost of the share buyback programme (H1 FY21: £1.0m).
- Net asset value (unaudited) of £4.7m (H1 FY21: £5.1m).
- Pro-forma net asset value (unaudited) per share of 35.9p, compared to a mid-market share price as at market close on 30 September 2021 of 22p.
- Interim dividend declared of 0.5p per ordinary share.

Operational Highlights and Business Outlook

In Q2 2021, the majority of the restrictions imposed by the UK Government in response to the COVID-19 pandemic were lifted or relaxed, which led to an overall improvement in total revenue for H1 FY21 as clients began their own recovery programmes. The gradual return to more normal working conditions meant that the Group had progressively less reliance on the Government's Coronavirus Job Retention Scheme ("CJRS"). This led to reduced grant receipts, down from approximately £316k in H1 FY21 to just below £30k for H1 FY22.

We continue to maintain a £50,000 banking facility with HSBC Bank plc which has been renewed for a further year to October 2022. We have not made any use of such facility and do not expect to have to do so.

Despite the reopening of retail premises, the Security Division has not returned to the level of pre-pandemic trading. This is due predominantly to the permanent closure of former key clients such as Debenhams, Peacocks and Edinburgh Woollen Mill. Another factor that impacts margins is the cost of transportation, with all security related products being shipped in from abroad. Carriage charges have risen, in some cases five-fold, and it is simply not possible to pass on and recover such increase from the end user where prices are built into existing contracts. The business has reduced its cost base by downsizing the warehousing and office space it occupies, and staffing levels are now as low as is practicable without adversely affecting the customer experience. Management continues to seek to secure additional business from existing clients, as well as new client wins.

The reopening of education and leisure facilities has resulted in a welcome return to profitable trading for the relevant subsidiaries in the Safety Division that specialise in such sectors.

Our subsidiary focused on the statutory examination of plant and equipment was largely unaffected by COVID-19, save where clients had closed their workplaces, as there was no derogation offered by the relevant authorities from the legal obligation to ensure safety of the plant concerned. However, since lockdown has been lifted, we have found that costs have risen considerably, particularly in the prices of accommodation and travel, which has adversely affected margins.

Our Systems Division has bounced back exceptionally well from the enforced suspension of many of its activities, including the delivery of public training courses. Notably, the new revenue stream from our 'UK Responsible Person' ("UKRP") service continues to increase. This service provides a portal to enable clients in the European Union ("EU") medical device sector to supply the UK marketplace. Further growth is anticipated in the number of clients using this service.

General safety consultancy and training sales have shown a marked improvement, although EBITDA has reduced across the Safety Division as a whole due to the significantly lower income from CJRS funding. Further details are provided by way of the segmental analysis below showing the performance of individual subsidiaries.

The Board is generally satisfied with the Group's performance at this stage of its COVID-19 recovery programme and is confident that further progress can be achieved over the remainder of the financial year.

Dividend

The Board is confident that the Group will remain profitable and has 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 21 January 2022, to those shareholders on the register of members on 24 December 2021.

As in previous years, the recommendation by the Board of any final dividend will be subject to the Group's full year performance and the outlook at that time.

Cash Flow

Cash at bank on 30 September 2021 stood at £902k compared to approximately £1m at the same time last year. As indicated, the lower balance at the interim stage reflects the utilisation of £325k on the Company's successful share buyback programme implemented during the period.

The cash reserves are sufficient to service all requirements arising in the normal course of the Group's business and in relation to the proposed dividend. Whilst the Board has not currently committed to any additional calls on the Company's cash, it is anticipated that a potential further share buyback programme, utilising the authority granted by the relevant special resolution passed at the 2021 Annual General Meeting, will be duly considered by the Board prior to the end of the financial year and announced as appropriate.

Discrete Performance by Trading Subsidiaries

Profit/loss figures for 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. Invoiced sales do not include CJRS grant funding, but such income is taken into account when calculating profit/loss figures. The net reduction of £287k in grant funding is the reason that most of the Company's subsidiaries show lower EBITDA despite higher sales revenue.

Inspection Services (UK) Limited

Invoiced sales of £94,392 yielding a profit of £10,923 (H1 FY21: £113,807 and £25,471).

Personnel Health and Safety Consultants Limited

Invoiced sales of £607,906 yielding a profit of £198,579 (H1 FY21: £381,531 and £223,591).

RSA Environmental Health Limited

Invoiced sales of £130,953 resulting in a profit of £15,646 (H1 FY21: £100,123 and £30,686).

Quality Leisure Management Limited

Invoiced sales of £137,281 resulting in a profit of £37,500 (H1 FY21: £90,369 and £40,342).

QCS International Limited

Invoiced sales of £356,968 yielding a profit of £113,668 (H1 FY21: £196,533 and £46,705).

B2BSG Solutions Limited

Invoiced sales of £391,729 resulting in a loss of £16,738 (H1 FY21: £495,228 and £4,394 loss).

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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.

Group Statement of Comprehensive Income

	Note	Six months ended 30 Sept 21 Unaudited £'000	Six months ended 30 Sept 20 Unaudited £'000	Year ended 31 Mar 21 Audited £'000
Continuing operations				
Revenue	3	1,719	1,377	3,290
Cost of sales		(888)	(767)	(1,765)
Gross profit		831	610	1,525
Administrative expenses		(727)	(775)	(1,528)
Goodwill impairment	2	-	-	(250)
Government grants		29	316	441
Other income		-	-	1
Profit from operations		133	151	189
Finance income		-	1	1
Profit before taxation		133	152	190
Corporation tax expense		(27)	(31)	(102)
Profit for the period after tax attributable to owners of parent	3	106	121	88
Total comprehensive income attributable to owners of the parent		**106**	**121**	**88**
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	0.78p	0.83p	0.60p

Group Statement of Financial Position	Note	30 Sept 21 Unaudited £'000	30 Sept 20 Unaudited £'000	31 Mar 21 Audited £'000
Non-current assets				
Property, plant and equipment	4	500	565	530
Goodwill		3,028	3,278	3,028
Deferred tax asset		2	20	2
		3,530	3,863	3,560
Current assets				
Inventories		252	263	260
Trade and other receivables		686	753	590
Cash and cash equivalents		902	1,003	1,237
		1,840	2,019	2,087
Total assets	3	**5,370**	**5,882**	**5,647**
Current liabilities				
Trade and other payables		460	571	518
Right of use lease liability		28	34	32
Current corporation tax payable		115	71	88
		603	676	638
Non-current liabilities				
Right of use lease liability		26	54	39
Deferred taxation liabilities		51	52	51
		77	106	90
Total liabilities		**680**	**782**	**728**
Net assets		**4,690**	**5,100**	**4,919**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,308	1,468	1,468
Share premium account		1,916	1,916	1,916
Merger relief reserve		134	134	134
Other reserves		304	144	144
Retained earnings		1,028	1,438	1,257
		4,690	**5,100**	**4,919**

Group Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Other Reserves * £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2021	1,468	1,916	134	144	1,257	4,919
Profit for the period attributable to equity holders	-	-	-	-	106	106
Purchase of Treasury shares	(160)	-	-	160	(325)	(325)
Cost of share buyback	-	-	-	-	(10)	(10)
Balance at 30 September 2021	1,308	1,916	134	304	1,028	4,690
Balance at 1 April 2020	1,468	1,916	134	144	1,317	4,979
Profit for the period attributable to equity holders	-	-	-	-	121	121
Balance at 30 September 2020	1,468	1,916	134	144	1,438	5,100

* Other reserves represent the merger relief reserve and Treasury shares held by the Group.

Group Statement of Cash Flows

	Six months ended 30 Sept 21 Unaudited £'000	Six months ended 30 Sept 20 Unaudited £'000	Year ended 31 Mar 21 Audited £'000
Cash flows generated from operating activities			
Cash generated from operations	17	264	702
Tax paid	-	-	(37)
Net cash generated from operating activities	17	264	665
Cash flows used in investing activities			
Purchase of property, plant and equipment	-	(2)	(9)
Disposal of fixed assets	-	-	4
Interest received	-	1	1
Net cash used in investing activities	-	(1)	(4)
Cash flows used in financing activities			
Payments on right of use assets	(17)	(16)	(33)
Share buyback	(335)	-	-
Dividends paid to Group shareholders	-	-	(147)
Net cash used in financing activities	(352)	(16)	(180)
Net increase in cash and cash equivalents	(335)	247	481
Cash and cash equivalents at beginning of period	1,237	756	756
Cash and cash equivalents at end of period	902	1,003	1,237

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	133	151	189
Depreciation charge	30	30	66
Goodwill impairment	-	-	250
Loss on sale of fixed assets	-	-	2
Decrease in inventories	8	1	4
Decrease/(increase) in trade and other receivables	(96)	133	296
Decrease in trade and other payables	(58)	(51)	(105)
Cash generated from operations	17	264	702

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 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 2021, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report for the 2021 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. Although a half year loss has been incurred by the Security Division, the effect of the cost reduction programme implemented in Q1 2021 should improve the financial year end position. The longer-term outlook presently remains stable and an impairment charge in these interim financial statements is not therefore considered necessary but will be reassessed at the year end.

Government grants

Government grants represent amounts receivable in relation to the CJRS. The grants have been recognised in the period to which the costs relate.

2. Exceptional Administrative Expenses

	Six months ended	Six months ended	Year ended
	30 Sept 21	30 Sept 20	31 Mar 21
	Unaudited	Unaudited	Audited
Impairment of PHSC plc's investment in	£'000	£'000	£'000
B2BSG Solutions Limited	-	-	200
RSA Environmental Health Limited	-	-	50

3. Segmental Reporting

	Six months ended 30 Sept 21 Unaudited £'000	Six months ended 30 Sept 20 Unaudited £'000	Year ended 31 Mar 21 Audited £'000
Revenue			
Security division: B2BSG Solutions Ltd	392	495	1,136
	392	495	1,136
Health & Safety division			
Inspection Services (UK) Ltd	94	114	214
Personnel Health & Safety Consultants Ltd	608	382	969
Quality Leisure Management Ltd	137	90	235
RSA Environmental Health Ltd	131	100	235
	970	686	1,653
Systems division: QCS International Ltd	357	196	501
Total revenue	**1,719**	**1,377**	**3,290**
Profit/(loss) after taxation, before management charge			
Security division: B2BSG Solutions Ltd	(13)	(1)	3
Health & Safety division			
Inspection Services (UK) Ltd	6	18	27
Personnel Health & Safety Consultants Ltd	166	183	409
Quality Leisure Management Ltd	30	33	85
RSA Environmental Health Ltd	13	25	51
	215	259	572
Systems division: QCS International Ltd	87	33	104
Holding company: PHSC plc	(183)	(170)	(341)
	106	121	338
Goodwill impairment	-	-	(250)
Total Group profit after taxation	**106**	**121**	**88**

Total assets	30 Sept 21 Unaudited £'000	30 Sept 20 Unaudited £'000	31 Mar 21 Audited £'000
Security division: B2BSG Solutions Ltd	292	411	320
Safety division			
Inspection Services (UK) Ltd	108	176	121
Personnel Health & Safety Consultants Ltd	470	581	377
Quality Leisure Management Ltd	166	210	168
RSA Environmental Health Limited	584	637	595
	1,328	1,604	1,261
Systems division: QCS International Ltd	337	320	253
Holding company: PHSC plc	4,184	4,322	4,584
	6,141	6,657	6,418
Adjustment of goodwill	(773)	(775)	(773)
Adjustment of deferred tax	2	-	2
Total assets	**5,370**	**5,882**	**5,647**

4. Property, plant and equipment

	30 Sept 21 Unaudited £'000	30 Sept 20 Unaudited £'000	31 Mar 21 Audited £'000
Cost or valuation			
Brought forward	928	949	949
Additions	-	2	8
Disposals	-	-	(29)
Carried forward	928	951	928
Depreciation			
Brought forward	398	356	356
Charge	30	30	65
Disposals	-	-	(23)
Carried forward	428	386	398
Net book value	**500**	**565**	**530**

5. Earnings per share

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

	Six months ended 30 Sept 21 Unaudited £'000	Six months ended 30 Sept 20 Unaudited £'000	Year ended 31 Mar 21 Audited £'000
Earnings			
Continuing activities	106	121	88
Number of shares	30 Sept 21	30 Sept 20	31 Mar 21
Weighted average number of shares for the purpose of basic earnings per share	13,646,497	14,667,257	14,667,257