30 November 2012

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

Interim Report 2012

GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

for the six months ended 30 September 2012

Financial Highlights

- Group turnover (consolidated) for the period was £2.198m compared with £2.135m for the same period last year
- EBITDA of £136k before one-off legal costs of acquisitions, compared with £114k for the same period last year
- Basic earnings per share at the interim stage are 0.69pence compared with 0.64pence achieved in the corresponding period last year
- Net cash generated by operating activities reduced to £76k from £242k
- Overall cash and cash equivalents stood at £391k at the end of the period compared with £903k at the year ended 31 March 2012. Cash of £502k was paid in connection with the goodwill element of two acquisitions.
- Net asset value (unaudited) of £5.326m or 50 pence per Ordinary Share compared to a current share price (mid) of 22 pence
- Encouraging progress shown by two new subsidiaries

Trading overview

Revenues from continuing operations were almost identical to those in the same period last year. With a welcome first contribution of over £84,000 from our new QCS International Limited (QCS) subsidiary, we saw an overall increase of around £63,000 in total Group revenue.

Whilst our largest subsidiary, Adamson's Laboratory Services Limited, was able to improve on its first half performance, other parts of the Group came under pressure and saw a slight deterioration in revenues and margins. Financial statistics are given for each trading subsidiary later in this statement.

Overheads of the parent company rose to £246,158 compared with £200,300 in the same period last year. The extra costs are largely attributable to the acquisitions of QCS and B to B Links Limited (B to B Links) in the period and include one-off legal fees and stamp duty of circa £30,000.

Outlook

Historically the Group's financial performance has always been better in the second half of the year. That is expected to be the case this year, and will be significantly supplemented by revenues from our new acquisitions, B to B Links and QCS.

QCS has had an encouraging start and has contributed an average of over £40,000 to revenues per month to the interim figures. We predict similar monthly revenues over the remainder of the year and expect that this will lead to generation of pre-tax profits in excess of £100,000 from this subsidiary.

The integration of B to B Links will be a longer process due to the more complex nature of the company's business and how different it is to the rest of the Group. Early indications are most encouraging and suggest that this subsidiary will add approximately £800,000 to Group revenues in the second half of the year, and pre-tax profits close to £150,000. The company has recently entered into an agreement with a major department store chain for the installation of closed circuit television systems (CCTV). To date this has led to orders with a likely sales value of around £125,000, a figure set to increase substantially as additional stores are surveyed and new installations commissioned.

The Board believes that the recent diversification away from the core activities of health and safety consultancy services, into quality management and retail security solutions, will have an immediate and positive impact on both revenues and earnings per share. These benefits will be enhanced by a number of cross-selling opportunities that will be better exploited once the new acquisitions have bedded in.

Dividend prospects

As in previous years, the Board is not recommending payment of an interim dividend, but will consider payment of an appropriate final dividend at the end of the year.

A special dividend of 1.0p, giving a total payment of 2.0p per Ordinary Share, was paid in each of the previous two years and was welcomed by the majority of investors. With £480,000 due in acquisition instalments during the first half of 2012/13 the Board's ability to declare a special dividend this year may be limited.

Net Asset Value

As at 30 September 2012, the Company had net assets of £5.326m (unaudited) as per these interim accounts. There were 10,606,348 Ordinary Shares in issue at that date which equates to a net asset value (NAV) per share of 50 pence. At 22 pence per share the Ordinary Shares of the Company are currently trading at approximately a 56% discount to the net asset value.

Cash Flow

Obligations related to the acquisition of two new businesses in the period had a predictable but major effect on the Group's cash position.

By 30 September 2012 we had paid £502,300 in connection with the two acquisitions and approximately £30,000 in legal fees and stamp duty. Since that date £160,000 has been paid towards the non-cash assets of B to B Links and a further sum of £163,000 falls due in December 2012 to complete the payment for those assets. The net cash outflow related to these transactions is around £855,000.

In October our B to B Links subsidiary placed substantial orders for consumables to ensure stock in the run-up to Christmas, and to gear up for the large CCTV installation contract mentioned above. The sale of our vacant property at Raunds was expected to be complete by now but has been delayed because the buyer is progressing the transaction via a pension scheme and this has introduced regulatory delays. This has coincided with a tendency for some of our larger clients to settle their accounts a little slower than they previously did.

The combined effect has been to place short-term pressure on our cash position and as a contingency we have agreed a suitable facility with our bankers, HSBC, should this be required.

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

Invoiced sales of £1,124,287 yielding a profit of £102,660 (the equivalent figures for the same period last year were £1,012,407 and £27,690). The comparatives include performance of The Envex Company Limited, which is now a trading division of Adamson's Laboratory Services Limited.

Inspection Services (UK) Limited

Invoiced sales of £100,646 yielding a profit of £4,913 (the figures for the same period last year were £126,111 and £10,901).

Personnel Health and Safety Consultants Limited

Invoiced sales of £388,931 yielding a profit of £167,791 (the figures for the same period last year were £392,777 and £175,102).

RSA Environmental Health Limited

Invoiced sales of £193,183 resulting in a loss of £6,023 (the figures for the same period last year were £246,057 and a profit of £11,658).

Quality Leisure Management Limited

Invoiced sales of £307,521 yielding a profit of £60,873 (the figures for the same period last year were £357,816 and £83,162).

QCS International Limited

Invoiced sales of £83,704 yielding a profit of £28,798 for the two months since acquisition. There are no equivalent figures available for last year.

B to B Links Limited

This subsidiary was acquired on 28 September 2012 and no trading took place between that date and 30 September 2012, the period to which these interim accounts relate.

Stephen King - Group Chief Executive Officer

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Group Statement of Comprehensive Income	Note	Six months ended 30 Sept 12 Unaudited £'000	Six months ended 30 Sept 11 Unaudited £'000	Year ended 31 Mar 12 £'000
Continuing operations				
Revenue		2,198	2,135	4,434
Cost of sales		(1,145)	(1,147)	(2,256)
Gross profit		1,053	988	2,178
Other income		3	2	6
Administrative expenses		(959)	(899)	(1,786)
Profit from operations		97	91	398
Finance income		1	5	9
Finance costs		-	-	-
Profit before taxation		98	96	407
Corporation tax expense		(26)	(29)	(108)
Profit after taxation and total comprehensive income from continuing operations		72	67	299
Profit after taxation and total comprehensive income		**72**	**67**	**299**
Attributable to:				
Equity holders of the Group		72	67	299
Earnings per share for profit after tax and total comprehensive income from continuing operations attributable to the equity holders of the Group during the period				
Basic	4	0.69p	0.64p	2.91p

Group Statement of Financial Position	Note	30 Sept 12 Unaudited £'000	30 Sept 11 Unaudited £'000	31 Mar 12 £'000
Non-current assets				
Property, plant and equipment	3	812	795	770
Goodwill		4,676	3,315	3,315
Deferred tax asset		2	1	2
		5,490	4,111	4,087
Current assets				
Inventories		137	2	6
Trade and other receivables		1,785	1,096	1,226
Cash and cash equivalents		391	805	903
		2,313	1,903	2,135
Total assets		**7,803**	**6,014**	**6,222**
Current liabilities				
Trade and other payables		943	598	667
Financial liabilities		13	-	-
Current corporation tax payable		240	102	112
Short term provisions		863	100	-
		2,059	800	779
Non-current liabilities				
Financial liabilities		13	-	-
Long-term provisions		330	-	-
Deferred taxation liabilities		75	81	73
		418	81	73
Total liabilities		**2,477**	**881**	**852**
Net assets		**5,326**	**5,133**	**5,370**
Capital and reserves attributable to equity holders of the Group				
Called up share capital		1,060	1,038	1,038
Share premium account		1,568	1,497	1,497
Capital redemption reserve		144	144	144
Retained earnings		2,554	2,454	2,691
		5,326	**5,133**	**5,370**

Group Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Capital Redemption Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 April 2011	1,038	1,497	144	2,594	5,273
Profit for the period attributable to equity holders	-	-	-	67	67
Dividends	-	-	-	(207)	(207)
Balance at 30 September 2011	1,038	1,497	144	2,454	5,133
Balance at 1 April 2012	1,038	1,497	144	2,691	5,370
Profit for the period attributable to equity holders	-	-	-	72	72
Dividends	-	-	-	(209)	(209)
Issue of shares	22	71	-	-	93
Balance at 30 September 2012	1,060	1,568	144	2,554	5,326

Group Statement of Cash Flows	Six months ended 30 Sept 12 Unaudited £'000	Six months ended 30 Sept 11 Unaudited £'000	Year ended 31 Mar 12 £'000
Cash flows from operating activities			
Cash generated from operations	76	242	514
Tax refunded/(paid)	-	17	(56)
Net cash generated from operating activities	76	259	458
Cash flows used in investing activities			
Purchase of property, plant and equipment	(15)	(1)	(6)
Purchase of subsidiary companies net of cash acquired	(365)	-	(107)
Disposal proceeds fixed assets	-	-	7
Interest received	1	5	9
Net cash used in investing activities	(379)	4	(97)
Cash flows used in financing activities			
Dividends paid to group shareholders	(209)	(207)	(207)
Net cash used in financing activities	(209)	(207)	(207)
Net (decrease)/increase in cash and cash equivalents	(512)	56	154
Cash and cash equivalents at beginning of year	903	749	749
Cash and cash equivalents at end of year	391	805	903

Notes to the cash flow statement

Cash generated from operations			
Operating profit - continuing operations	97	91	398
Depreciation charge	20	23	47
Acquisition cost	-	-	7
Loss on sale of fixed assets	-	-	(1)
Decrease/(increase) in stock	1	-	(4)
Decrease/(increase) in trade and other receivables	(63)	285	156
(Decrease)/increase in trade and other payables	21	(157)	(89)
Cash generated from operations	76	242	514

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 2012, prepared under IFRS have been filed with the Registrar of Companies. The auditors' report for the 2012 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. IFRS 7 Amendments to Financial Instruments Disclosures has been adopted from 1 April 2012. The adoption of this standard has not had a material impact on these interim financial statements.

New IFRS standards and interpretations not adopted

Certain new standards, amendments and interpretations of existing standards that have been published and which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

- IAS 1 Amendment – Presentation of items of other comprehensive income
- IAS 12 Amendments - Deferred tax: Recovery of Underlying Assets
- IFRS 7 and IAS 32 Offsetting financial assets and financial liabilities
- IAS 27 Separate Financial Statements
- IFRS 9 Financial Instruments
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 19 Amendment – Employee Benefits

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the group's profit for the period or equity. Application of these standards will result in some changes in presentation of information within the condensed interim 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:

(a) Provisions
The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Liabilities of £121,148 and £742,180 have been provided within short term provisions relating to the payments due in respect of the acquisition of QCS and B to B Links respectively. Long term provisions contain liabilities of £80,000 (QCS) and £250,000 (B to B) relating to the payments due on the second anniversary of acquisition.

(b) Impairment of goodwill

Our interim review of the value of goodwill in the balance sheet did not highlight any conditions which would give rise to a material impairment. For this reason the Board is to defer any decision regarding the impairment of goodwill until the year end.

2 Segmental Reporting

	30 Sept 12 Unaudited £'000	30 Sept 11 Unaudited £'000	31 Mar 12 £'000
Revenue			
PHSC plc	-	-	-
Personnel Health & Safety Consultants Ltd	389	393	771
RSA Environmental Health Limited	193	246	474
Adamson's Laboratory Services Ltd	1,124	947	2,121
Envex Company Ltd	-	65	103
Inspection Services Ltd	101	126	242
Quality Leisure Management Ltd	307	358	723
Q C S International Ltd (2 months)	84	-	-
	2,198	2,135	4,434
Profit/(loss) after taxation			
PHSC plc	2	(13)	(40)
Personnel Health & Safety Consultants Ltd	68	77	119
RSA Environmental Health Limited	(13)	4	(14)
Adamson's Laboratory Services Ltd	(32)	(53)	112
Envex Company Ltd	-	2	27
Inspection Services Ltd	(1)	4	1
Quality Leisure Management Ltd	27	46	94
Q C S International Limited (2 months)	21	-	-
	72	67	299
Total assets			
PHSC plc	5,410	4,334	4,867
Personnel Health & Safety Consultants Ltd	745	670	633
RSA Environmental Health Limited	526	584	555
Adamson's Laboratory Services Ltd	1,316	1,027	1,376
Envex Company Ltd	-	89	15
Inspection Services Ltd	119	148	119
Quality Leisure Management Ltd	311	200	315
Q C S International Ltd	174	-	-
B to B Links Ltd	706	-	-
	9,307	7,052	7,880
Adjustment of goodwill	(1,504)	(1,038)	(1,658)
	7,803	6,014	6,222

Notes to the Financial Statements (continued)

	30 Sept 12	30 Sept 11	31 Mar 12
	Unaudited	Unaudited	
3 Property, plant and equipment	£'000	£'000	£'000
Cost or valuation			
Brought forward	1,139	1,158	1,158
Additions	62	1	6
Disposals	-	-	(25)
Carried forward	1,201	1,159	1,139
Depreciation			
Brought forward	369	341	341
Charge	20	23	47
Disposals	-	-	(19)
Carried forward	389	364	369
Net book value	812	795	770

4 Earnings per share

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

Earnings	30 Sept 12	30 Sept 11	31 Mar 12
	£'000	£'000	£'000
	Unaudited	Unaudited	
Continuing activities	72	67	299

Number of shares	30 Sept 12	30 Sept 11	31 Mar 12
Weighted average number of shares for the purpose of basic earnings per share	10,410,473	10,381,973	10,276,019