SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2008

Company Number: 2641313

SERVOCA Plc
Contents

SERVOCA Plc
Corporate information

Directors

Bob Morton, FCA	Non – Executive Chairman
Andrew Church	Chief Executive Officer
Miles Davis	Executive Director
Glenn Swaby, ACA	Chief Financial Officer
John Foley, ACA, Barrister	Non – Executive Director
Emma Sugarman	Executive Director

Company Secretary and Registered Office
Stephen Shipley, FCA
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The Registry
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Beckenham
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Nominated Adviser and Broker
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London EC2R 5TA

Company number
2641313

Bankers
Royal Bank of Scotland Plc
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Milton Keynes MK9 2ZF

Solicitors
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Auditors
Ernst & Young LLP
1 More London
London SE1 2AF

Country of Incorporation
United Kingdom

Legal form
Public limited company

SERVOCA Plc
Chairman / Chief Executive Officer Report
For the year ended 30 September 2008

Introduction
The year ended 30 September 2008 is the first full reporting period of Servoca Plc ("the Group") following the change of the accounting period.

During the year the Group has made strategic acquisitions in the Security and Education markets. Note 24 to the Annual Report provide further information on these acquisitions.

There were several start up initiatives during the year. Some of these have not lived up to expectations and we have terminated all loss making businesses as part of the Group's restructuring programme. This included the revision of the Group's management structure and streamlining of the operational management, simplification of the Group's corporate structure, the continued rationalisation of the front and back office systems and a reduction of operational and administrative staff and general overheads. The restructuring also necessitated the placing of two of its subsidiaries into administration post year end.

As explained in note 1, the Group is raising £5 million via a placing to finance working capital and deferred consideration.

Financial review
During the year ended 30 September 2008, Group revenue was £42.1 million, which produced a gross profit of £12.7 million. Comparison with previous periods is not considered meaningful given the reverse acquisition that took place in 2007 and the various acquisitions that have taken place in the business during this year.

In April 2008, the Company raised £1.9 million, before expenses, through a placing of 6,333,340 ordinary shares of 10p each at a price of 30p per share. The Balance sheet as at 30 September 2008 includes £2.65 million of share based deferred consideration under current liabilities.

On 7 November 2007 the Company obtained Court approval for a capital reduction by way of cancellation of the balance of £8.81 million on the share premium account and £6.04 million on the capital redemption reserve.

The operating loss, prior to the goodwill impairment charge of £3.1 million, was £3.6 million for the year after charging exceptional restructuring costs of £1.6 million.

Acquisitions
As detailed below, the Company has made a number of acquisitions in the year. Further details are given in note 24 to the Annual Report.

Operational highlights

Strategy and delivery
Following a number of acquisitions made by the Group, our strategy is to concentrate on organic growth in our existing three principal markets of Education, Healthcare, and Secure Solutions.

Strategy and delivery *(continued)*

Resourcing

Healthcare :

Within Healthcare we have combined three brands (Windsor, Berry and Dream Medical) under a new banner – **Servoca Nursing and Care**. This Company together with our existing brands **TLP, Firstpoint and Triple West** supplies a broad spectrum of skills providing allied health professionals, doctors, nurses, domiciliary care, social workers and other associated specialisations. We are now able to offer a complete service by having the ability to cover all major staffing disciplines within this sector. Servoca is one of only a handful of organisations who offer a one stop shop, and one of even fewer such organisations able to offer a national branch network attracting highly skilled healthcare professionals throughout the country. Servoca Healthcare is now in a position to bid for lucrative, long term, regional and national contracts which will help the Group to underpin plans to increase our visibility of earnings and recurring revenue streams within Healthcare. During the year this division secured major contracts in South Yorkshire and the West Midlands.

The Healthcare sector demands an up-to-date and complex skill set and we therefore invest heavily in providing training for new and existing staff. Servoca Healthcare now provides large scale training courses for the NHS, private care homes, local authorities and many other business types involved in the health arena.

Education :

We have three brands within our Education division and our strategy will be to continue to grow our market presence both in the UK and abroad.

Dream Education provides long term qualified teachers mostly within secondary schools.

Academics was acquired in March 2008 for an initial consideration of £3.1 million and an earn out of up to £5.8 million. Academics operates as an Education recruitment and training provider which supplies qualified teachers on a contract or permanent basis to clients in London and the Home Counties.

In May 2008, the Company acquired the business trade and assets of a business trading as **Day to Day Teachers** Limited from the administrators .The Company paid a cash consideration of £0.38 million. Day to Day Teachers operates from two branches and supplies qualified teachers and classroom assistants on a supply or temporary basis.

These acquisitions will enhance the Education resourcing division by enabling us to provide a wider service offering to our expanding client base. Opportunities exist for us to develop the Home Counties market and roll out the proven Academics model nationally. Academics also has a resourcing office in Melbourne which will allow international expansion from the existing infrastructure.

Strategy and delivery *(continued)*

Servoca Secure Solutions
Our Security Division - Servoca Secure Solutions (“SSS”), - includes our acquisitions within security and our Criminal Justice Operation where both now enjoy significant cross-selling opportunities.

We have enjoyed particular success in the areas of criminal justice training, crime training, the outsourcing of cold case reviews, business process outsourcing and the provision of highly experienced teams into sensitive areas.

To strengthen our Security offering, in December 2007 we acquired both **International Security & Surveillance** Limited ("ISS") and **ISS Special Projects** Limited ("ISS (SP)") for an aggregate consideration of approximately £2.85 million which was paid in a combination of cash and ordinary shares. These two businesses have been combined under the Servoca Secure Solutions brand. This division continues to provide manned guarding, systems services, corporate investigations including close protection, risk management and surveillance.

The newly enlarged division is now able to offer a wide breadth of important and highly valued services to a variety of clients whose needs are often of a sensitive and high-profile nature. SSS provides confidential services to the majority of Police Constabularies throughout the UK . SSS is the only organisation of its type to have gained the “Skills for Justice Accreditation” for all of our policing training products. Over the past year SSS has run a number of specialist policing conferences and special interest days, further cementing our strategic relationship with the UK Police Service.

It is our intention to develop SSS into a unique specialist brand able to offer the full spectrum of security services. We are building this division to become a significant provider of high end specialist Security services.

Board changes
Glenn Swaby became the new Chief Financial Officer on 28 March 2008 when Andrew Brundle stepped down.

Tony Rogers resigned as a Director with effect from 3 October 2008.

Darren Browne resigned as Chief Executive Officer on 3 November 2008.

Andrew Church was appointed as Chief Executive Officer on 24 November 2008.

Emma Sugarman , founder and Managing Director of Academics Limited, was appointed to the Board on 16 December 2008.

Summary and prospects

The 2008 results showed good underlying growth marred by several one off costs and loss making businesses which have now been closed. The cost base has been realigned and the restructuring completed. This has transformed the performance of the Group and each division of the Group is now delivering profits.

The Group will continue to serve many areas of public sector recruitment that suffer from manpower supply shortages. The underlying growth in public sector recruitment remains strong and there will be a greater focus on profit delivery by the new management team.

We have new additions to the Board and Servoca has a strong platform on which to build and deliver shareholder value and realise its full potential.

Bob Morton
Chairman
6 March 2009

Andrew Church
Chief Executive Officer

SERVOCA Plc
Report of the directors
For the year ended 30 September 2008

The directors present their report together with the audited financial statements for the year ended 30 September 2008.

Principal activities, trading review and future developments
The principal activities of the Group are the provision of recruitment and outsourced services to customers in the medical, educational and security markets. The principal activity of the Company is that of a holding company.

The Group made two major acquisitions in the year being the purchase of the security businesses International Security & Surveillance Limited and ISS Special Projects Limited and that of the educational recruitment business Academics Limited. Further details are set out in note 24.

Group turnover for the year is £42.1 million (eight months ended 30 September 2007: £8.7 million) which produced a gross profit of £12.7 million (eight months ended 30 September 2007: £2.3 million). The loss for the year, after a goodwill impairment charge of £3.1 million and exceptional costs of £3.0 million, was £7.2 million (eight months ended 30 September 2007 after an impairment charge of £5.3 million: loss £6.9 million).

Key performance indicators
Whilst there are many financial and operating measures regularly monitored by the Group, the primary financial metrics are:

- Revenue growth: 221% (2007: 7%) based on a 12 month comparison
- Gross margin percentage: 30.3% (2007: 26%)
- Operating loss before goodwill impairment and exceptionals: £0.6 million (2007: loss £1.9 million)

Results and dividends
The consolidated income statement is set out on page 14 and shows the loss for the year.

No dividends were paid during the year and no final dividend is proposed.

Share capital
In November 2007, Servoca Plc obtained court approval to reduce its capital by way of cancelling the balance on the share premium account and capital redemption reserve so that the amounts standing as credits on these undistributable reserves become realised profits which can be credited to the Parent Company's profit and loss account in order to eliminate the accumulated losses.

On 4 April 2008, the Company issued 6,333,340 ordinary shares of 10p each by way of a placing.

Full details of the changes in share capital during the year are set out and explained in note 22 to the financial statements.

Principal risks and uncertainties

The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 20 to the financial statements.
Servoca has also identified further, market-based risks and uncertainties to which the business is exposed. The most significant of these are set out below:

- Changes in government spending and policy
- Changes in regulation
- Uncertain economic climate
- Failure to continue to be registered for supply with PASA , CSCI, the Home Office and others that are required for the operation of the various businesses of Servoca to trade in their respective specialist fields. There is no short term risk in this area.
- Failure to attract candidates of sufficient quality and in sufficient numbers
- Loss of management or key sales staff
- Access to future funding

The board meets on a regular basis to discuss the continuing management of these risks and uncertainties and identify any new exposures as they arise.

Directors

	Office held	Appointed	Resigned
Bob Morton	Non-Executive Chairman		
Andrew Church	Chief Executive Officer	24/11/2008	
Miles Davis	Executive		
John Foley	Non-Executive		
Emma Sugarman	Executive	16/12/2008	
Glenn Swaby	Chief Financial Officer	28/03/2008	
Darren Browne	Chief Executive Officer		03/11/2008
Andrew Brundle	Chief Financial Officer		28/03/2008
Tony Rogers	Non-Executive		03/10/2008

Interests in shares

The directors of the Company at the end of the year and their respective beneficial interests in its issued share capital were as follows:

Director	**30 September 2008 Ordinary shares of 10p each Number**	**30 September 2007 Ordinary shares of 10p each Number**
Bob Morton	-	-
Miles Davis	805,765	805,765
John Foley	1,235,000	1,200,000
Glenn Swaby	83,333	-
Darren Browne (resigned 03/11/2008)	7,287,775	7,287,775
Andrew Brundle (resigned 28/03/2008)	-	200,366
Tony Rogers (resigned 3/10/2008)	-	-

Interests in share options

At the balance sheet date the directors then in office held options to subscribe for ordinary shares as follows:

	Exercise price	Date of grant	Date first exercisable	Date of expiry	Ordinary shares of 10p each at 30 September 2008	Potential gains on options at 30 September 2008 £'000
Directors						
Darren Browne	25p	19/07/08	25/09/09	18/07/18	800,000	-
Miles Davis	25p	19/07/08	25/09/09	18/07/18	400,000	-
Glenn Swaby	25p	19/07/08	19/07/11	18/07/18	500,000	-

On 18 July 2008, the Company announced that it cancelled the share options that had previously been granted on 28 September 2007 of 400,000 each to Darren Browne and Miles Davis.

On 21 July 2008, the Company granted replacement share options of 800,000 to Darren Browne and 400,000 to Miles Davis with an exercise price of 25p. On the same day, the Company granted 500,000 share options to Glenn Swaby at the same exercise price of 25p.

The mid-market price of the Company's shares on 30 September 2008 was 25.5 pence.

The lowest price during the period from 1 October 2007 to 30 September 2008 was 22.5 pence and the highest price during the year was 47.8 pence. The potential gains on share options have been calculated by reference to the market value of the shares under option at 30 September 2008 less the cost of purchasing those shares at the relevant exercise price.

Information on directors

Bob Morton, FCA – Non - Executive Chairman

Aged 67, Bob is a Chartered Accountant with substantial public company experience. He is currently Chairman of Armour Group Plc, Tenon Group Plc, St. Peter Port Capital Limited and WFCA Plc. In addition he holds directorships in several private companies.

Andrew Church – Chief Executive Officer

Aged 36, Andrew joined as the Group's new Chief Executive Officer with effect from 24 November 2008. Andrew was formerly a main board director of Lorien PLC and Managing Director of its profitable resourcing division.

Information on directors (continued)

Miles Davis – Executive Director

Aged 40, Miles was a founding director of Dream Group Limited in 2000 and was its Managing Director when it was acquired by Multi in 2007. Prior to 2000, he spent over 10 years in the recruitment industry, primarily within information, technology and headhunting in the financial and securities market.

John Foley, ACA, Barrister – Non - Executive Director

Aged 53, John is a Chartered Accountant and a Barrister. He is a successful public company director having served on many boards in senior roles. He recently served as CEO of Maclellan Group Plc from 1994 until its successful disposal to Interserve Plc for £120 million during 2006. He currently holds a number of directorships in a wide range of private companies.

Glenn Swaby, ACA –Chief Financial Officer

Aged 53, Glenn is a Chartered Accountant and has a wealth of experience within the security market and was until recently the financial director of First Security Group Limited, where he played a key role in the development of the company over the past nine years. Glenn took over as Chief Financial Officer from 28 March 2008 having established the Servoca security brand.

Emma Sugarman, Executive

Emma Jane Sugarman, 40, joined the Board on 17 December 2008 as an executive director. Emma was the founding director of Academics Holdings Limited and Academics Limited. Emma had built the business to a turnover approaching £15 million per annum when it was acquired by the Group in March 2008.

Substantial shareholders

At 5 March 2009 those shareholders which had notified the Company of a disclosable interest of 3 per cent or more in the share capital of Servoca Plc are set out below:

Holder	Ordinary shares of 10p each	Percentage
Seraffina Holdings Limited	8,120,929	16.9
Darren Browne	7,287,775	15.1
Southwind Limited	4,247,048	8.8
Retro Grand Limited	2,000,000	4.2
William Cassie	1,919,464	4.0

Payment to suppliers
The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of business transactions, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The number of average days purchases of the Group and Company represented by trade creditors at 30 September 2008 respectively was 54 days and 78 (30 September 2007: Group 78 days and Company 78).

Donations
During the year the Group made no charitable or political donations (eight months ended 30 September 2007: £nil).

Financial instruments
Details of Group and Company's use of financial instruments and their associated risks are given in note 20 to the financial statements.

Directors' responsibilities
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Report of the Directors which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements
International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Directors' responsibilities (continued)

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Subsequent events

Details of subsequent events are set out in note 29.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP resigned as auditors on 8 September 2008 and Ernst &Young LLP were appointed as their replacement. A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next annual general meeting of the Company.

This report was approved by the Board of Directors on 6 March 2009 and signed by order of the Board by

Stephen Shipley
Company Secretary
6 March 2009

SERVOCA Plc
Independent auditors' report
To the shareholders of Servoca Plc

We have audited the financial statements of Servoca Plc for the year ended 30 September 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Servoca Plc for the year ended 30 September 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the annual report and Group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman/Chief Executive Officer Report and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 September 2008 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Group financial statements.

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. This is dependent on the Group raising £5.0 million before expenses by way of a placing of new shares to finance the contingent consideration obligations of the Group and to provide additional working capital. The placing is subject to shareholder approval scheduled for 30 March 2009. If, for whatever reason, the placing is not implemented and alternative sources of finance cannot be obtained, the Group will not be able to meet its contingent consideration and other obligations as they fall due.

This condition indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern if shareholder approval is not received. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Ernst & Young LLP
Registered auditor
London

6 March 2009

SERVOCA Plc

Consolidated income statement

For the year ended 30 September 2008

	Note	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Revenue		**42,050**	8,738
Cost of sales		**(29,320)**	(6,456)
Gross profit		**12,730**	2,282
Administrative expenses		**(19,473)**	(9,411)
Other operating income		**-**	-
Operating loss before goodwill impairment and exceptional costs		**(604)**	(1,858)
Goodwill impairment	11	**(3,131)**	(5,271)
Exceptional costs	7	**(3,008)**	-
Operating loss	6	**(6,743)**	(7,129)
Finance income	8	**4**	308
Finance costs	9	**(429)**	(81)
Loss before taxation		**(7,168)**	(6,902)
Tax expense	10	**-**	-
Loss for the year/period attributable to equity holders of the parent		**(7,168)**	(6,902)
Loss per share:		**Pence**	Pence
- Basic and diluted	5	**(16.13)**	(23.96)
Adjusted loss per share:			
- Basic and diluted	5	**(2.32)**	(5.66)

The notes on pages 19 to 63 form part of these financial statements.

SERVOCA Plc
Consolidated balance sheet
At 30 September 2008

	Note	30 September 2008 £'000	30 September 2007 £'000
Assets			
Non-current assets			
Intangible assets	11	**7,237**	1,683
Property, plant and equipment	12	**697**	358
Total non-current assets		**7,934**	2,041
Current assets			
Trade and other receivables	14	**9,908**	4,742
Cash and cash equivalents	14	**204**	99
Total current assets		**10,112**	4,841
Total assets		**18,046**	6,882
Liabilities			
Current liabilities			
Trade and other payables	15	**(7,642)**	(3,377)
Other financial liabilities	16	**(7,637)**	(2,335)
Contingent consideration	17	**(4,628)**	(150)
Corporation tax liability		**(367)**	(285)
Provisions	21	**(1,040)**	(285)
Total current liabilities		**(21,314)**	(6,432)
Non-current liabilities			
Other financial liabilities	18	**(68)**	(7)
Contingent consideration	17	**(460)**	(150)
Provisions	21	**(352)**	(208)
Total non-current liabilities		**(880)**	(365)
Total liabilities		**(22,194)**	(6,797)
Total net (liabilities)/assets		**(4,148)**	85

SERVOCA Plc
Consolidated balance sheet *(continued)*
At 30 September 2008

	Note	**30 September 2008 £'000**	30 September 2007 £'000
Capital and reserves attributable to equity holders of the company			
Called up share capital	22	**4,812**	3,931
Share premium account	23	**2,054**	8,812
Capital redemption reserve	23	**-**	6,036
Merger reserve	23	**2,772**	2,772
Reverse acquisition reserve	23	**(12,268)**	(12,268)
Retained earnings		**(1,518)**	(9,198)
Total Equity		**(4,148)**	85

The financial statements were approved by the Board and authorised for issue on 6 March 2009.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 19 to 63 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2008

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 January 2007	**-**	**-**	**-**	**-**	**-**	(2,296)	**(2,296)**
Changes in equity for the period ended 30 September 2007							
Loss for the period	-	-	-	-	-	(6,902)	**(6,902)**
Total recognised income and expense for the period	-	-	-	-	-	(6,902)	**(6,902)**
Acquisition of subsidiary	545	6,512	6,036	96	-		**13,189**
Reverse acquisition	-	(2,249)	-	-	(12,268)	-	**(14,517)**
Issue of share capital - Dream Group Limited	-	2,249	-	-	-	-	**2,249**
Issue of share capital - Servoca Plc	3,386	2,300	-	2,676	-	-	**8,362**
	3,931	8,812	6,036	2,772	(12,268)	-	**9,283**
Balance as at 30 September 2007	**3,931**	**8,812**	**6,036**	**2,772**	**(12,268)**	**(9,198)**	**85**
Changes in equity for the year ended 30 September 2008							
Loss for the year	-	-	-	-	-	(7,168)	**(7,168)**
Total recognised income and expense for the year						(7,168)	**(7,168)**
Reduction in capital	-	(8,812)	(6,036)	-	-	14,848	**-**
Shares issued for acquisition of subsidiaries	248	856	-	-	-	-	**1,104**
Issue of share capital	633	1,198	-	-	-	-	**1,831**
	881	(6,758)	(6,036)	-	-	14,848	**2,935**
Balance as at 30 September 2008	**4,812**	**2,054**	**-**	**2,772**	**(12,268)**	**(1,518)**	**(4,148)**

The movement on the share premium account is after charging £68,000 of costs incurred with issuing the shares (2007: £103,000).

SERVOCA Plc
Consolidated cash flow statement
For the year ended 30 September 2008

	Note	Year ended 30 September 2008 £'000	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000	Eight months ended 30 September 2007 £'000
Operating activities					
Loss before tax			**(7,168)**		(6,902)
Adjustments for:					
Depreciation and amortisation charges			**394**		71
Finance costs			**429**		81
Finance income			**(4)**		(308)
Loss on disposal of fixed assets			**-**		13
Goodwill impairment	11		**3,131**		5,271
Increase in trade and other receivables			**(2,371)**		(388)
Increase in trade and other payables			**4,370**		842
Movement in provisions			**899**		493
Cash generated from operations			**(320)**		(827)
Interest paid			**(429)**		(81)
Corporation tax paid			**(326)**		-
Cash flows from operating activities			**(1,075)**		(908)
Investing activities					
Acquisitions, net of cash acquired	24	**(3,544)**		(3,247)	
Purchase of property, plant and equipment		**(595)**		(156)	
Interest received		**4**		11	
			(4,135)		(3,392)
Financing activities					
Issue of ordinary shares		**1,900**		3,605	
Share issue costs		**(68)**		(103)	
Repayment of finance lease creditor		**42**		(2)	
			1,874		3,500
Decrease in cash and cash equivalents	26		**(3,336)**		(800)
Cash and cash equivalents at beginning of the year	26		**(2,229)**		(1,429)
Cash and cash equivalents at end of the year	26		**(5,565)**		(2,229)

The notes on pages 19 to 63 form part of these financial statements.

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) published by the International Accounting Standards Board (IASB), as endorsed for use in the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The Group financial statements have been prepared for a twelve month period to 30 September 2008 but the comparative figures represent a period of eight months to 30 September 2007.

Going concern

The Board of Directors regularly monitors the ability of the Group to meet its liabilities as they fall due for the foreseeable future against the facilities and funding options open to it.

Having conducted a review in relation to the financial position at 30 September 2008, the Directors have prepared cash flow forecasts and identified a shortfall of funding. In order to meet this shortfall, the Directors are in the process of raising £5.0 million before expenses by way of a share placing and, at the date of this annual report, have received placing commitments from placees to subscribe for the whole of this amount. The Directors propose to apply the proceeds of the placing to finance the contingent consideration payment of £2.35 million due to the vendor of Academics Limited (see Note 24) and for the remainder to provide additional working capital for the Group.

The placing is subject to shareholder approval scheduled for 30 March 2009. If, for whatever reason, the placing is not implemented and alternative sources of finance cannot be obtained, the Group will not be able to meet its contingent consideration and other obligations as they fall due.

Having taken this uncertainty into account, these financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

1 Accounting policies (continued)

Significant judgments and estimates

Judgments and estimates are regularly evaluated based on historical experience, current circumstances and expectations of future events.

The critical judgments and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate IFRS and the Group's accounting policy:

- Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes in estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details of carrying values are shown in notes 11 and 12.
- Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance.
- Provision for doubtful debts.

Standards effective in future periods

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

The amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards' (effective 1 January 2009) allows an entity to determine the 'cost' of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 'Consolidated and Separate Financial Statements' (effective 1 January 2009) requires all dividends from a subsidiary, jointly controlled entity or associate to be recognised in the income statement in the separate financial statement. Both revisions will be effective for financial years beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The amendments are not expected to have an impact on the Group

Amended IAS 1 'Presentation of Financial Statements' (effective 1 January 2009) affects the presentation of other changes in equity and introduces a statement of comprehensive income. The Group will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income).

Amended IAS 23 'Borrowing Costs' (effective 1 January 2009) eliminates the option to recognise all borrowing costs immediately as an expense. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, the revised Standard requires that they be capitalised as part of the cost of that asset. All other borrowing costs should be expensed as incurred.

1 Accounting policies (continued)

Standards effective in future periods (continued)

The revised and amended Standards i.e., IAS 27 'Consolidated and Separate Financial Statements' and IFRS 3 'Business Combinations' are effective from 1 July 2009. The amendments relate primarily to accounting for non-controlling interests and the losses of control of a subsidiary. It also addresses the guidance for applying the acquisition method of accounting.

Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements' in respect to Puttable Financial Instruments and Obligations Arising on Liquidation are effective from 1 January 2009. Subject to specified criteria being met, these instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' in respect to eligible hedged items. Effective from 1 July 2009, it provides clarification on identifying inflation as a hedged risk or portion and hedging with options.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' in respect to disclosures that would permit reclassification of some financial instruments out of the fair value through profit or loss category is effective from periods starting on or after 1 July 2008.

IFRS 8 'Operating segments' (effective from period commencing 1 January 2009) sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. This standard replaces IAS 14 'Segment Reporting' and will requires a change in the disclosure of segmental information.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (effective 1 October 2008) applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39.

IFRIC 15 'Agreements for the Construction of Real Estate' (effective 1 January 2009) applies to an entity which holds agreements for construction of real estate. The Group does not participate in construction and so this interpretation is not expected to have an impact on the Group.

IFRIC 17 'Distributions of Non-Cash Assets to Owners' (effective 1 July 2009) addresses how an entity should measure distributions of assets other than cash when it pays dividends to its owners. The Group does not distribute non-cash dividends to its owners and so the interpretation will not have an impact on the Group.

IFRIC 18 'Transfers of Assets from Customers' (effective 1 July 2009) applies to entities who participate in the transfer of assets from customers and applies to the utility sector in particular. No member of the Group operates in the utility sector or transfers assets from customers and, therefore, this interpretation has no impact on the Group.

1 Accounting policies (continued)
Standards effective in future periods (continued)
Improvements to IFRSs
In May 2008 the ISAB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. These revisions have not been adopted in these financial statements:
IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial instruments: Recognition and Measurement are not automatically classified as current in the balance sheet.
IAS 16 Property, Plant and Equipment: Replace the term “net selling price” with “fair value less costs to sell”.
IAS 23 Borrowing costs: The definition of borrowing costs is revised to consolidate two types of items that are considered components of borrowing costs into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
IAS 28 Investment in Associates: If an associate is accounted for at fair value in accordance with IAS 39, only the requirements of IAS 29 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans.
IAS 31 Interest in Joint Ventures: If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
IAS 36 Impairment of Assets: When discounted cash flows are used to estimate “fair values less cost to sell” additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate “value in use”.
IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The impact on the Group‘s financial statements of the future adoption of the Standards and Interpretations is still under review, but the Group does not expect any of these changes to have a material effect on the results or net assets of the Group.

Basis of consolidation
The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2008, using the acquisition method of accounting. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of the acquisition.

1 Accounting policies (continued)

Revenue

Revenue represents proceeds from services performed, less discounts and sales tax. Revenue from temporary contract assignments is recognised when services are performed, based on hours worked by the temporary or contract candidates placed by the Group. Revenue from permanent placements is recognised:

- In line with contractual terms, for contingent assignments this will either be the date on which the applicant accepts an offer in writing or when they commence the employment;
- In line with completion of specific milestones, for retained assignments; or
- In line with performance, for revenue arising from the provision of other services.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the income statement.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line in the consolidated income statement.

1 Accounting policies (continued)

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity to give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group represent trademarks and customer relationships and they are valued at historical cost and amortised over their estimated useful economic life of 5 years. The amortisation is included in administrative expenses in the income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Depreciation has been calculated at the following rates:

Fixtures and fittings	- either 25% on a reducing balance basis or 10%-25% on cost
Office equipment	- 25% on a reducing balance basis
Motor vehicles	- 25%-33% on a reducing balance basis
Computer equipment	- 3-4 years on a straight line basis
Leasehold improvements	- over the term of lease

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit or loss; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

1 Accounting policies (continued)

Deferred taxation (continued)

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes. Financial instruments are recognised when the Group becomes party to the contractual terms of the instrument. Financial instruments are derecognised either on the expiry of the contractual terms of the instrument or when the cash flows attaching to the instrument have expired.

Financial assets

The only financial assets held by the Group arise principally through the provision of services to customers. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.
The Group's receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and invoice discounting facilities. Bank overdrafts and invoice discounting facilities are shown within current liabilities on the balance sheet.

Financial liabilities

Bank and other borrowings and invoice discounting facilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayments at a constant rate on the balance and the liability in the balance sheet.

The Group operates invoice discounting facilities on its trade debtors. Advances of between 85% and 90% of the agreed balances can be drawn down in advance. Interest is payable at varying commercial rates on balances drawn.

Trade and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using effective interest method.

1 Accounting policies (continued)

Contingent deferred consideration

Contingent deferred consideration due in respect of acquisitions is initially recorded at expected cost and discounted back to the balance sheet date using an appropriate discount rate. The interest is charged to the income statement over the period of the deferment.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classed as equity instruments.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Pension costs

The Group operates some defined contribution pension schemes. There is a self-administered scheme for certain executive directors and Group Personal Pension Plans for staff. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the schemes for the period.

Exceptional costs

The Group identifies exceptional costs as those that are significant in size and are of a non recurring nature that have a material affect on the results of the Group.

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement due. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the income statement account over the vesting period. Non-market conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

Where an equity instrument is granted to a person other than an employee, the income statement is charged with the fair value of goods and services received.

National insurance is payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependent on the market price of the shares at the date of exercise, the number of options to being exercised and the prevailing rate of National Insurance at the date of exercise. The Company provides for potential National Insurance dependent upon the current market value of the shares.

2 Segmental analysis

The Group's primary format for reporting segment information is by business segment, being by type of service supplied. The operating divisions are organised and managed by reporting segment where applicable and by divisions within a reporting entity where necessary.

The Medical and Care segment provides recruitment services to the Healthcare sector.

The Education Recruitment segment provides recruitment services to the Education sector.

The Secure Solutions segment provides outsourced services to the Security sector.

	Medical and Care Recruitment segment £'000	Education Recruitment segment £'000	Secure Solutions segment £'000	Unallocated £'000	Total £'000
For the year ended 30 September 2008:					
Turnover	22,967	9,819	9,264	-	**42,050**
Segment expense	(23,721)	(8,654)	(9,538)	(741)	**(42,654)**
Goodwill impairment	(670)	-	(2,461)	-	**(3,131)**
Exceptional costs	(2,218)	(15)	(296)	(479)	**(3,008)**
Operating (loss)/profit	(3,642)	1,150	(3,031)	(1,220)	**(6,743)**
Interest expense	(178)	(69)	(50)	(132)	**(429)**
Finance income	-	-	3	1	**4**
(Loss)/profit	(3,820)	1,081	(3,078)	(1,351)	**(7,168)**
Balance sheet					
Assets	5,253	9,342	2,705	746	**18,046**
Liabilities	(9,169)	(10,437)	(2,522)	(66)	**(22,194)**
Net assets/(liabilities)	(3,916)	(1,095)	183	680	**(4,148)**
Other					
Capital expenditure	201	6,981	2,532	285	**9,999**
Depreciation, amortisation and impairment	861	65	2,535	64	**3,525**

The Group's customers and assets are all located in the UK and therefore it does not report by geographical location. There is no inter-segment turnover.

2 Segmental analysis (continued)

	Medical and Care Recruitment segment £'000	Education Recruitment segment £'000	Secure Solutions segment £'000	Unallocated £'000	Total £'000
For the eight months ended 30 September 2007:					
Turnover	4,107	2,888	1,743	-	8,738
Segment expense	(4,531)	(2,406)	(2,272)	(1,387)	(10,596)
Goodwill impairment	(5,271)	-	-	-	(5,271)
Operating (loss)/profit	(5,695)	482	(529)	(1,387)	(7,129)
Interest expense	-	-	-	(81)	(81)
Finance income	-	-	-	308	308
(Loss)/profit	(5,695)	482	(529)	(1,160)	(6,902)
Balance sheet					
Assets	4,330	1,037	626	889	6,882
Liabilities	(4,424)	(655)	(445)	(1,273)	(6,797)
Net assets/(liabilities)	(94)	382	181	(384)	85
Other					
Capital expenditure	6,486	44	27	-	6,557
Depreciation, amortisation and impairment	5,303	24	13	2	5,342

3 Employees

	Year ended 30 September 2008 £'000	Eight Months ended 30 September 2007 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**8,428**	1,785
Social security costs	**869**	214
Redundancy costs	**132**	-
Pension contributions	**73**	17
	9,502	2,016
The average monthly number of employees, including directors, during the year was as follows:		
	Number	Number
Operations	**49**	15
Sales	**172**	123
Financial and administration	**48**	28
	269	166

4 Directors' remuneration

Total remuneration was as follows:	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Salaries and benefits	**583**	278
Pension contributions	**36**	10
	619	288
Remuneration of the highest paid director:		
Emoluments	**254**	175
Pension contributions	**11**	4
	265	179

The Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £30,000 (2007: eight months £10,000) were made to Hawk Consulting Limited in the year for services rendered.

During the year, four directors had benefits accruing under defined contribution pension schemes (eight months ended 30 September 2007: three).

4 Directors' remuneration (continued)

The movement in share options held by the directors during the year were as follows:

	Year ended 30 September 2008 Number 000	Eight months ended 30 September 2007 Number 000
At the beginning of the year	**1,225**	-
Acquired on reverse acquisition	**-**	25
Cancelled during the year	**(1,200)**	-
Lapsed on resignation	**(25)**	-
Granted during the year	**1,700**	1,200
	1,700	1,225

5 Loss per share

The calculation of loss per share for the year ended 30 September 2008 is based on a weighted average number of shares in issue during the period of:

	Basic	**Dilutive effect of share options and shares to be issued**	**Diluted**
30 September 2008	**44,430,904**	**-**	**44,430,904**
30 September 2007	28,801,555	-	28,801,555

The above same number of shares are used in all of the loss per share calculations below.

5 Loss per share (continued)

Additional disclosure is also given in respect of loss per share before goodwill impairment and exceptional costs as the directors believe this gives a more accurate presentation of maintainable earnings.

Year ended 30 September 2008	**Total £'000**
Loss used for basic and diluted calculation	**(7,168)**
Goodwill impairment and exceptional costs	**6,139**
Loss before goodwill impairment and exceptional costs	**(1,029)**
	Pence
Basic and diluted loss per share	**(16.13)**
Goodwill impairment and exceptional costs	**13.81**
Adjusted basic and diluted loss per share before goodwill impairment and exceptional costs	**(2.32)**

Eight months ended 30 September 2007	Total £'000
Loss used for basic and diluted calculation	(6,902)
Goodwill impairment	5,271
Loss before goodwill impairment	(1,631)
	Pence
Basic and diluted loss per share	(23.96)
Goodwill impairment	18.30
Adjusted basic and diluted loss per share before goodwill impairment	(5.66)

6 Operating loss

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Operating loss is stated after charging:		
Depreciation of tangible assets	**394**	69
Goodwill impairment (see note 11)	**3,131**	5,271
Amortisation of intangible assets	**-**	2
Loss on disposal of fixed assets	**-**	13
Operating lease rentals:		
- land and buildings	**452**	67
- other	**51**	7
Audit of the Company's financial statements pursuant to legislation	**35**	47
Audit of the subsidiaries financial statements pursuant to legislation	**30**	31
Other taxation services	**10**	23
Services relating to corporate finance transactions entered into by the Company	**-**	145

7 Exceptional costs

The exceptional costs can be summarised as follows:

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Restructuring costs	**1,568**	-
Legal costs	**1,440**	-
	3,008	-

During the year the directors have identified the following two categories of exceptional costs:

Restructuring costs:
The Group embarked an a number of new initiatives during the year but it has become apparent that certain of these were proving to be a drain on the Group's resources and hence a decision was made to close such activities. In addition, a complete restructuring of the business was commenced which allows the company to concentrate on its core activities. The costs of the closures and other restructuring costs, including staff costs and the ongoing future commitments in respect of properties, have been fully provided for in these financial statements.

7 Exceptional costs (continued)

Legal costs:
The Group is involved in two ongoing legal cases at the current time. The first was initiated by the Group and is in respect of one of the acquisitions made during the prior period. The outcome of this case has yet to be resolved. Total costs incurred in pursuing this case are £995,000.

The second case was brought against the company regarding one of its subsidiary businesses. Since the year end, this subsidiary has been placed into administration and a settlement to a third party has been agreed. Total costs incurred in pursuing this case are £485,000.

8 Finance income

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Bank interest received	**4**	11
Waiver of interest payable	**-**	297
	4	308

9 Finance costs

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Bank borrowings	**144**	20
Interest on invoice discounting	**259**	39
Other borrowings	**26**	22
	429	81

10 Taxation
a) Tax on profit on ordinary activities

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Total current income tax	**-**	-
Total deferred tax	**-**	-
Total tax expense in the income statement	**-**	-

b) Reconciliation of the total tax charge

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Loss on ordinary activities before taxation	**(7,168)**	(6,902)
Loss on ordinary activities multiplied by the average rate of corporation tax in the UK of 29% (30 September 2007: 30%)	**(2,079)**	(2,071)
Expenses not deductible for tax purposes	**(54)**	-
Unrecognised tax losses	**1,055**	705
Other temporary differences on which deferred tax not recognised	**170**	(49)
Goodwill impairment	**908**	1,581
Non taxable income	**-**	(166)
Total tax expense reported in the consolidated income statement	**-**	-

The Group has approximately £9,058,000 (30 September 2007: £5,546,000) of unrelieved trading losses available for offset against future taxable profits of certain Group companies.

10 Taxation
c) Unrecognised deferred tax
The Group has unrecognised deferred tax assets at the balance sheet dates as follows:

	Year ended 30 September 2008 at 28% £'000	Eight months ended 30 September 2007 at 30% £'000
Decelerated capital allowances	**100**	-
Temporary timing differences	**61**	-
Losses available for offset against future taxable income	**2,536**	1,626
Capital losses for offset against future capital gains	**405**	434
	3,102	2,060

Deferred tax assets have not been recognised in respect of these temporary differences as they have arisen in subsidiaries which have been historically loss making.

11 Intangible assets

	Goodwill £'000	Customer relationships £'000	Trademarks £'000	Total £'000
Cost				
Balance at 1 February 2007	690	-	6	696
Additions	-	-	1	1
Acquired through business combinations	6,263	-	-	6,263
Balance at 30 September 2007	**6,953**	**-**	**7**	**6,960**
Balance at 1 October 2007	6,953	-	7	6,960
Acquired through business combinations	9,281	123	-	9,404
Fair value adjustment for contingent share consideration	(719)	-	-	(719)
Balance at 30 September 2008	**15,515**	**123**	**7**	**15,645**
Accumulated amortisation and impairment				
Balance at 1 February 2007	-	-	4	4
Amortisation for the period	-	-	2	2
Impairment charge	5,271	-	-	5,271
Balance at 30 September 2007	**5,271**	**-**	**6**	**5,277**
Balance at 1 October 2007	5,271	-	6	5,277
Amortisation for the year	-	-	-	-
Impairment charge	3,008	123	-	3,131
Balance at 30 September 2008	**8,279**	**123**	**6**	**8,408**
Net book value				
At 1 February 2007	690	-	2	692
At 30 September 2007	1,682	-	1	1,683
At 30 September 2008	**7,236**	**-**	**1**	**7,237**

Additions to goodwill and intangibles in the year are analysed further as follows:

	£'000
Further costs of purchase of Windsor and Firstpoint	2
Acquisition of ISS Ltd and ISS SP Ltd (note 24)	2,461
Acquisition of Academics Holdings Ltd (note 24)	6,941
Total	**9,404**

11 Intangible assets (continued)
Goodwill and impairment

Impairment
The Group acquired the two security businesses, International Security & Surveillance Limited ("ISS") and ISS Special Projects Limited ("ISS SP") during the year. Due to a downturn in the market and the loss of key personnel, the companies have not performed as expected and the directors have undertaken a value-in-use calculation which results in full impairment of the goodwill of these two businesses together with a full impairment of other intangible assets acquired on acquisition. The goodwill and other intangibles impairment charge in respect of these businesses is £2.46 million.

Windsor Recruitment & Training Ltd was placed in administration in January 2009 and the carrying value of £0.67 million of goodwill has been fully impaired at the balance sheet date.

During the period to 30 September 2007, Servoca Plc (formerly Multi Group Plc "Multi"), was acquired by way of a reverse acquisition by Dream Group Limited. The directors fair valued the goodwill resulting from the acquisition to £nil and impaired the carrying value of goodwill to reflect this.

Multi had a historic record of significant losses and, at the time of acquisition, was also loss making with little or no prospect in its then form of becoming profitable to any material degree, with the performance of the trading entities deteriorating. The board at the time considered the existence of any valuable intangible assets within Multi and did not identify any materially significant items. By definition, the £5,271,000 was therefore attributed to goodwill. The directors therefore formed the opinion that, at the date of the acquisition, the carrying value and value in use of this goodwill was negligible.

Goodwill
Details of goodwill and other intangibles allocated to cash generating units is as follows:

	30 September 2007 £'000	Acquired £'000	Impaired £'000	Adjustment £,000	**30 September 2008 £'000**
Windsor Recruitment & Training Limited	**670**	-	(670)	-	**-**
Manorbase Limited t/a Firstpoint Healthcare	**322**	2	-	-	**324**
Dream Group Limited	**690**	-	-	-	**690**
ISS Limited and ISS SP Limited	**-**	2,461	(2,461)	-	**-**
Academics Limited	**-**	6,941	-	(719)	**6,222**
	1,682	9,404	(3,131)	(719)	**7,236**

11 Intangible assets (continued)
Goodwill (continued)

The carrying value of the above goodwill has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a 2 year period to September 2010. Cash flows beyond the 2 year budget are extrapolated using a 5% per annum growth rate over 4 years and 2% thereafter (2007: 2%) being the Group's estimate of the long term growth rate of the recruitment sector. The cash flow projections have been discounted using a discount rate based on pre tax weighted average cost of capital of 17.4% (2007: 7%).

Revenue, gross profit and overheads have been based on past experience taking into account future expectations.

These calculations show that the value in use of these acquisitions fully supports the carrying value of the goodwill in these financial statements.

The adjustment to the goodwill for Academics Limited relates to the fair value adjustment to contingent share consideration to reflect the published share price at 30 September 2008.

Sensitivity to changes in assumptions
The value in use of the Academics CGU exceeds its carrying amount by £9 million. Sensitivity analysis has been completed on each key assumption in isolation, and this indicates that the value in use of the division will be equal to its carrying amount following a reduction in gross margin of 14 basis points, an increase in the discount rate of 29 basis points and a reduction in revenue growth rates of 25 basis points.

12 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings & office equipment £'000	Computer equipment £'000	Total £'000
Cost					
Balance at 1 February 2007	-	80	85	424	589
Additions	-	-	18	145	163
Acquired through business combinations	2	-	27	101	130
Disposals	-	(80)	(10)	(2)	(92)
Balance at 30 September 2007	2	-	120	668	790
Balance at 1 October 2007	2	-	120	668	790
Additions	213	3	66	313	595
Acquired through business combinations	2	74	24	38	138
Disposals	-	-	-	(4)	(4)
Balance at 30 September 2008	**217**	**77**	**210**	**1,015**	**1,519**
Accumulated depreciation					
Balance at 1 February 2007	-	22	65	311	398
Depreciation charge for the period	1	10	8	50	69
Disposals	-	(32)	(2)	(1)	(35)
Balance at 30 September 2007	1	-	71	360	432
Balance at 1 October 2007	1	-	71	360	432
Depreciation charge for the year	47	29	21	136	233
Accelerated depreciation	57	-	23	81	161
Disposals	-	-	-	(4)	(4)
Balance at 30 September 2008	**105**	**29**	**115**	**573**	**822**
Net book value					
At 1 February 2007	-	58	20	113	191
At 30 September 2007	1	-	49	308	358
At 30 September 2008	**112**	**48**	**95**	**442**	**697**

The net book value of computer equipment for the Group includes an amount of £46,000 (30 September 2007: £6,000) and motor vehicles of £32,000 (2007: £nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £12,000 (eight months ended 30 September 2007: £1,000).

13 Details of subsidiary undertakings

The following companies were subsidiary undertakings at the end of the period and have all been included in the consolidated financial statements.

Name	Country of incorporation and operation	Proportion of voting rights and ordinary share capital held	Nature of business
Berry Recruitment Holdings Limited	England and Wales	100%	Holding company
Berry Medical Limited*	England and Wales	100%	Staffing and recruitment
1st 4 Locums Limited	England and Wales	100%	Staffing and recruitment
Dream Group Limited	England and Wales	100%	Staffing and recruitment
Windsor Recruitment & Training Limited	England and Wales	100%	Staff, recruitment and training
Manorbase Limited t/a Firstpoint Healthcare	England and Wales	100%	Staffing and recruitment
International Security & Surveillance Limited	England and Wales	100%	Security manned guarding
ISS Special Projects Limited	England and Wales	100%	Security solutions
Academics Holdings Limited	England and Wales	100%	Holding company
Academics Limited*	England and Wales	100%	Staffing and recruitment
Triple West Medical Limited	England and Wales	100%	Staffing and recruitment
Salus Recruitment Limited	England and Wales	100%	Staffing and recruitment
Meadow Two Plc	England and Wales	100%	Dormant

*Undertaking held indirectly by Company.
The accounting reference date of Dream Group Limited is 31 January and that of Meadow Two Plc is 31 March.

14 Trade and other receivables

	30 September 2008 £'000	30 September 2007 £'000
Due in less than one year:		
Trade debtors	**7,967**	4,578
Less: Provision for impairment of trade receivables	**(412)**	(782)
Trade debtors net	**7,555**	3,796
Other debtors	**1,440**	426
Prepayments and accrued income	**913**	520
	9,908	4,742

Included in other debtors is an amount of £136,000 (30 September 2007: £71,000) relating to taxation and social security.

14 Trade and other receivables (continued)

	30 September 2008 £'000	30 September 2007 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**8,995**	4,222
Cash and cash equivalents	**204**	99
Total financial assets classified as loans and receivables	**9,199**	4,321

The fair values of financial assets classified as loan and receivables approximate to their carrying value.

At 30 September 2008 the analysis of trade receivables is:

			Past due or impaired			
	Total £'000	**Neither past due nor impaired £'000**	**31-60 £'000**	**60-90 £'000**	**90-120 £'000**	**120+ £'000**
Trade receivables	7,967	4,568	1,042	884	222	1,251
Provision	(412)	-	-	-	-	(412)
	7,555	4,568	1,042	884	222	839

At 30 September 2007 the analysis of trade receivables is:

			Past due or impaired		
	Total £'000	Neither past due nor impaired £'000	31-60 £'000	60-90 £'000	90+ £'000
Trade receivables	4,578	2,414	1,500	365	299
Provision	(782)	-	(118)	(365)	(299)
	3,796	2,414	1,382	-	-

14 Trade and other receivables (continued)

Movements on the Group provision for impairment of trade receivables are as follows:

	30 September 2008 £'000	30 September 2007 £'000
At beginning of the period	**782**	45
Acquired on acquisitions	**52**	677
(Utilised)/provided during the year	**(422)**	60
At end of period	**412**	782

The movement on the provision for amounts written off and additional provisions have been included in administrative expenses in the income statement.

15 Trade and other payables

	30 September 2008 £'000	30 September 2007 £'000
Trade creditors	**1,561**	685
Other taxation and social security	**2,607**	988
Other creditors	**792**	389
Accruals and deferred income	**2,682**	1,315
	7,642	3,377

The fair values of trade creditors and other creditors, which are carried at amortised cost, approximate to their carrying values.

16 Other financial liabilities - current

	30 September 2008 £'000	30 September 2007 £'000
Bank overdraft	**235**	80
Invoice discounting facility	**5,534**	2,248
Obligations under finance leases (see note 19)	**35**	7
Bank loan	**1,833**	-
	7,637	2,335

16 Other financial liabilities – current (continued)

The bank overdraft of £235,000 (30 September 2007: £80,000) is secured over certain assets of the group. Invoice discounting facilities of £5,534,000 (30 September 2007: £2,248,000) are secured by a charge over the borrowing company's book debts. Interest during the year is payable on these instruments at varying rates above the bank's base rate. The bank loan is secured over the assets of the company.
The bank loan has been reclassified as current due to the breach of a covenant, for which a waiver letter has been received after the year end. The loan is secured on the shares of Academics Limited.

17 Contingent consideration

	30 September 2008 £'000	30 September 2007 £'000
Contingent cash consideration	**3,157**	300
Contingent share consideration	**1,931**	-
	5,088	300
Less: due within one year	**4,628**	150
Due after more than one year	**460**	150

At 30 September 2008, the contingent consideration is in respect of the acquisition of Academics Limited. The contingent share consideration has been fair valued to the published share price at 30 September 2008 of 25.5p.

At 30 September 2007, the contingent consideration is in respect of Windsor Recruitment & Training Limited.

18 Non-current financial liabilities

	30 September 2008 £'000	30 September 2007 £'000
Obligations under finance leases (see note 19)	**68**	7

19 Finance leases

The Group leases some of its computer equipment (net carrying value £46,000 (30 September 2007: £6,000)) and motor vehicles (net carrying value £32,000 (30 September 2007: £nil)). Such assets are generally classified a finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments and present value 30 September 2008 £'000	Minimum lease payments and present value 30 September 2007 £'000
Not later than one year	**35**	7
Later than one year and not later than five years	**68**	7
	103	14

20 Financial instruments

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk

The Group does not trade in financial instruments or carry out derivative transactions. There is no foreign currency exposure.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further information on borrowings and financial instruments is contained in notes 16 to 18 to the financial statements.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in these notes.

20 Financial instruments (continued)
Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash at bank
- Bank overdrafts
- Invoice discounting facilities
- Trade and other payable
- Other loans
- Contingent consideration

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure implementation of the objectives and policies to the Group's finance function.

The Group's exposure to risk and the policies in respect of risk have not changed during the year. The Company is listed on AIM and the Group's working capital is financed largely by invoice discounting facilities within each subsidiary.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers by reviewing their creditworthiness through use of a credit checking agency. Such credit ratings are taken into account when setting credit limits for new accounts.

At the balance sheet date there were no significant concentrations of credit risk, other than as disclosed in note 14.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group does not enter into derivatives to manage credit risk. A large majority of the customer base is within the public sector and is not thought to be a high level of credit risk.

Quantitative disclosures of the credit risk exposure in relation to trade and other receivables, which are neither past due nor impaired, are disclosed in note 14.

20 Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main interest rate risk affecting the Group relates to changes in the bank's base rate as the majority of borrowings are at floating rates. Quantitative disclosures of the sensitivity to changes in interest rates are shown below.

The Group borrows at fixed and floating rates. The rates are monitored along with the Group's exposure and appropriate measures are taken to ensure that a balanced mix is maintained. Since the reverse acquisition, it has been the Group's objective to fund the working capital requirements by means of invoice discounting facilities.

The invoice discounting facilities, bank overdraft and bank loan are the Group's only variable rate borrowings that expose the Group to cash flow interest rate risk. The finance leases are the Group's only fixed rate borrowings. These are managed centrally. Local operations are not permitted to borrow long-term from external sources. The Board considers that this policy best achieves its exposure to interest rate risk.

The interest rate exposure of the Group's borrowings is shown below:

	Fixed rate borrowings £'000	Floating rate borrowings £'000	Interest free borrowings £'000	Total £'000
At 30 September 2008				
Bank loan and overdraft	**-**	**2,068**	**-**	**2,068**
Finance leases	**103**	**-**	**-**	**103**
Invoice discounting facility	**-**	**5,534**	**-**	**5,534**
Contingent consideration	**-**	**-**	**5,088**	**5,088**
	103	**7,602**	**5,088**	**12,793**
At 30 September 2007				
Bank overdraft	-	80	-	80
Finance leases	14	-	-	14
Invoice discounting facility	-	2,248	-	2,248
Contingent consideration	-	-	300	300
	14	2,328	300	2,642

The floating rate borrowings bear interest at varying rates above the bank's base rate. The fixed rate borrowings comprise finance leases.

All of the Group's borrowings are in sterling.

20 Financial instruments (continued)
Interest rate risk (continued)
At 30 September 2008, if interest rates on the above floating rate borrowings had been 4 per cent higher or lower with all other variables held constant, loss after tax for the period would have been £354,000 (period ended 30 September 2007: £28,000) higher or lower. There would be the same effect on equity.

The directors consider that 4 per cent is the maximum likely change to Sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

	30 September 2008 Book value £'000	**30 September 2008 Current value £'000**	30 September 2007 Book value £'000	30 September 2007 Current value £'000
Bank borrowings and invoice discounting	**(7,602)**	**(7,602)**	(2,328)	(2,328)
Contingent consideration	**(5,088)**	**(5,088)**	(300)	(300)

The fair value of floating rate borrowings is the historical cost because the interest rate payments are based on market rates of interest.

Liquidity risk
Liquidity risk arises from the Group's management of working capital and the finance charges on its debt instruments. It is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, invoice discounting, deferred consideration and share capital. Short-term flexibility is achieved by the use of bank overdrafts and invoice discounting facilities.

The Group's policy is to ensure that it will always have sufficient resources to allow it to meet its liabilities as they become due. To achieve this, it seeks to maintain cash balances and availability on its invoice discounting facilities to meet expected requirements for a period of at least 45 days.

The liquidity risk of each Group entity is managed centrally. Budgets are set locally but agreed by the Board in advance, to enable the Group's cash requirements to be anticipated.

20 Financial instruments (continued)
Liquidity risk (continued)

A maturity analysis of the financial liabilities classified as financial liabilities measured at amortised cost, is as follows:

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	**9,034**	**-**	**-**
Overdraft and invoice discounting	**5,769**	**-**	**-**
Bank loan	**667**	**667**	**499**
Contingent consideration	**4,628**	**460**	**-**
Finance lease	**35**	**68**	**-**
At 30 September 2008	**20,133**	**1,195**	**499**

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	3,377	-	-
Overdraft and invoice discounting	2,328	-	-
Contingent consideration	150	150	-
Finance lease	7	6	1
At 30 September 2007	5,862	156	1

Undrawn facilities

As at the balance sheet date the Group has the following undrawn committed borrowing facilities available to it:

	30 September 2008 £'000	30 September 2007 £'000
Expiring within one year	**361**	1,419

20 Financial instruments (continued)

Capital management policy

Servoca Plc defines its capital as its share capital, share premium account, other reserves and retained earnings.

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can provide returns to shareholders.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital, the Group may issue new shares, consolidate shares, cancel shares or sell assets to reduce debt.

Movements in capital during the year are disclosed in note 22.

21 Provisions

	Business restructuring £'000	Vacant property costs £'000	National insurance on share options £'000	Total £'000
At 1 October 2007	250	230	13	493
Provided for in the year	740	453	-	1,193
Released in the year	(250)	(44)	-	(294)
At 30 September 2008	**740**	**639**	**13**	**1,392**
Due within one year or less	740	287	13	1,040
Due after more than one year	-	352	-	352
	740	**639**	**13**	**1,392**

As part of the Group's restructuring programme, the Board have terminated all loss making businesses which includes the revision of the management structure, streamlining the operational management, simplifying the corporate structure and continued the rationalisation of the front and back office systems and a reduction of operational and administrative staff and overheads. Part of this restructuring has necessitated vacating certain of the Group's leasehold premises for which provisions have been made for the expected costs to the expiry of the leases.

National Insurance is payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependant on:

- The market price of the company's shares at the exercise date;
- The number of options available; and
- The prevailing rate of National Insurance at the date of the exercise.

22 Called up share capital

Servoca Plc

	30 September 2008 Number '000	**30 September 2008 £'000**	30 September 2007 Number '000	30 September 2007 £'000
Authorised:				
Ordinary shares of 10p each	**200,000**	**20,000**	60,000	6,000
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Allotted, issued and fully paid:				
Ordinary shares of 10p each	**48,120**	**4,812**	39,307	3,931
Preference shares of £1 each	**-**	**-**	-	-

In November 2007, Servoca Plc obtained court approval to reduce its capital by way of cancelling the balance on the share premium account and capital redemption reserve so that the amounts standing as credits on these undistributable reserves become realised profits which can be credited to the Parent Company's profit and loss account in order to eliminate the accumulated losses.

On 3 June 2008, the authorised share capital of the Company was increased to £27,400,000 by the creation of 140 million new ordinary shares of 10p each.

The preference shares hold no dividend rights except in the event of a winding up of the Company when any assets held for distribution are first applied to the holders of these shares to the extent they are paid up.

Movements in issued share capital

	Ordinary Shares of 10p each Number '000	**Ordinary Shares of 10p each £'000**
Issued:		
In issue at 1 October 2007	39,307	3,931
Issued during year/period	8,813	881
In issue at 30 September 2008	**48,120**	**4,812**

22 Called up share capital (continued)

As part of the acquisition costs of International Security & Surveillance Limited, the Company issued 1,337,142 ordinary shares of 10p each.

As part of the acquisition costs of ISS Special Projects Limited, the Company issued 1,142,857 ordinary shares of 10p each.

On 4 April 2008, the Company issued 6,333,340 ordinary 10p shares by way of a Placing at an issue price of 30p.

Share options

At 30 September 2008 employee share options were outstanding as follows:

Number of employees	Exercise price	Date of issue	Date first exercisable	Date of expiry	Number of share options
35	40.0p	01/12/07	01/12/10	30/11/17	830,000
3	31.5p	31/03/08	31/03/11	30/03/18	240,000
3	10.0p	31/03/08	31/03/11	30/03/18	348,837
7	25.0p	19/07/08	19/07/11	18/07/18	2,475,000

In accordance with IFRS 2 "Share Based Payment", employee share options are required to be fair valued at the date of grant and the resulting charge expensed through the income statement over the vesting period. The directors have calculated the cumulative charge required under IFRS 2 and consider this amount to be immaterial to these financial statements and thus no charge has been booked.

The movement in the total number of share options over the periods were as follows:

	2008 Number	2007 Number
Outstanding at beginning of period	**1,600,000**	-
Granted	**4,263,837**	1,600,000
Forfeited	**(1,970,000)**	-
Outstanding at share conversion date	**3,893,837**	1,600,000
Exercisable at year end	**-**	-

The individual share option plans are disclosed below.

<u>2007 share options granted:</u>
During the year ended 30 September 2007, the Company granted 1,600,000 share options to officers and employees that remained unexercised and had not vested as at 30 September 2007.

22 Called up share capital (continued)
Share options (continued)
<u>2008 share options granted</u>
During the year ended 30 September 2008, the Company granted 4,263,837 share options to employees and officers that remained unexercised and had not vested as at 30 September 2008.
During the year ended 30 September 2008, 1,970,000 of the share options were forfeited as a result of the employees leaving the company. The options outstanding at 30 September 2008 had an average exercise price of 27.8p and an average contractual life of 10 years.

These options fall into 4 groups for valuation:

Group 1 – 1,675,000 options granted 19 July 2008
The fair value of the options are, once vested, 9p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 5.03%, the average term of 5 years, share price at time of granting of 25p and volatility of 29.44%.

Group 2 – 1,200,000 options granted 1 December 2007
The fair value of the options are, once vested, 17p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.66%, the average term of 5 years, share price at time of granting of 45p and volatility of 26.72%. The total fair value has been reduced by 20% to reflect the expected forfeit rate for this group of options.

Group 3 – 240,000 options granted 31 March 2008
Management estimated the fair value of the options, once vested, to be 10p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 4 – 348,837 options granted 31 March 2008
The fair value of the options are, once vested, 23p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Options over 800,000 shares which were issued during the year have not been valued as they were forfeited when the relevant employee left the company shortly after the year end.

22 Called up share capital (continued)

Share options (continued)

The assumptions in respect of all options granted are based on:

Volatility	Determined by calculating the historical volatility of the Company's share price over the appropriate previous period.
Average term	Based on the average contractual life adjusted for management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.
Risk-free rate of return	Yield of a UK government gilt over the expected life at the date of grant
Forfeit rate	An estimate of the proportion of options that will be forfeited due to employees leaving the company before the vesting date of the options.

23 Reserves

The share premium account consists of the amount subscribed for share capital in excess of nominal value after deducting costs incurred in issuing the shares.

The capital redemption reserve is a non-distributable capital reserve set up on the redemption of issued shares.

The merger reserve is a non-distributable capital reserve which arose on the acquisition of subsidiary undertakings.

The reverse acquisition reserve is a non-distributable capital reserve arising on consolidation as a result of the reverse acquisition of Dream Group Limited.

24 Acquisitions

(a) International Security & Surveillance Limited ("ISS")

On 7 December 2007, the Company acquired the entire issued share capital of ISS for a total consideration of £1.389 million, satisfied in full by a cash payment of £0.7 million, the issue of 1,337,142 ordinary shares of 10p each at 44.5p per share, being the published share price at the date of exchange, and costs of £94,000. ISS provides security and manned guarding services.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows. Customer relationships were identified as a separate intangible on acquisition.

	£'000	£'000
Property, plant and equipment	**75**	
Trade and other receivables	**1,149**	
Customer relationships	**123**	
Cash	**6**	
Trade and other payables	**(809)**	
Bank overdraft	**(16)**	
Invoice discounting facilities	**(248)**	
Net assets		**280**
Consideration paid		
Cash		**700**
Share capital issued		**595**
Costs associated with the acquisition		**94**
Goodwill		**1,109**

Included in the results of the Group for the year is revenue of £4,145,000 and a loss of £114,000 in respect of ISS since its acquisition.

Prior to acquisition by Servoca, ISS had a year end of 30 June. In the year ended 30 June 2007, it had revenue of £3,471,000, gross margin of £892,000 and a net loss after taxation of £2,000.

Had the Group acquired ISS on 1 October 2007, the revenue that ISS would have contributed to the Group would have been £5,132,000 with a loss before taxation of £103,000.

The directors consider it necessary to fully impair the goodwill and customer relationships in respect of the acquisition of ISS.

24 Acquisitions (continued)

(b) ISS Special Project Limited ("ISS SP")

On 7 December 2007, the Company also acquired the entire issued share capital of ISS SP for a total consideration of £1.460 million, satisfied in full by a cash payment of £0.88 million and the issue of 1,142,857 ordinary shares of 10p each at 44.5p per share, being the published share price at the date of exchange, and costs of £75,000. ISS SP provides intelligence led security solutions including close protection, risk management, surveillance and proactive security.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£'000	£'000
Property, plant and equipment	**27**	
Trade and other receivables	**421**	
Cash	**208**	
Trade and other payables	**(425)**	
Net assets		**231**
Consideration paid		
Cash		**876**
Share capital issued		**509**
Costs associated with the acquisition		**75**
Goodwill		**1,229**

The directors could not identify any other separable intangible assets in respect of this acquisition.

Included in the results of the Group for the year is revenue of £296,000 and a profit of £94,000 in respect of ISS SP since its acquisition.

Prior to acquisition by Servoca, ISS SP had a year end of 30 June. In the year ended 30 June 2007, it had revenue of £1,834,000, gross margin of £1,219,000 and a net profit after taxation of £518,000.

Had the Group acquired ISS SP on 1 October 2007, the revenue that ISS SP would have contributed to the Group would have been £386,000 with a profit before taxation of £128,000.

The directors consider it necessary to fully impair the goodwill in respect of the acquisition of ISS SP.

24 Acquisitions (continued)

(c) Academics Holdings Ltd ("Academics")

On 28 March 2008, the Company acquired the entire issued share capital of Academics for a total consideration of £8.883 million, satisfied by costs of £351,000, a cash payment of £2.725 million on acquisition and a further £5 million payable if Academics achieves £2.34 million EBITDA in the year ended 31 March 2009. This contingent consideration is payable £2.35 million in cash and £2.65 million in shares in Servoca Plc. A further cash consideration of £0.81 million is payable on a pound for pound basis if net assets exceed £0.33 million as per the agreed completion balance sheet. Part of this further consideration of £0.34 million was paid in January 2009. Academics operates as a recruitment agency and provides teachers on a temporary basis to clients in London and the Home Counties.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£'000	£'000
Property, plant and equipment	36	
Trade and other receivables	1,350	
Cash	1,329	
Trade and other payables	(773)	
Net assets		1,942
Consideration paid		
Cash		2,725
Contingent consideration - cash		3,157
Contingent consideration - shares		2,650
Costs associated with the acquisition		351
Goodwill		**6,941**

The directors could not identify any other separable intangible assets in respect of this acquisition.

Included in the results of the Group for the period is revenue of £7.1 million and a profit of £1,118,000 in respect of Academics since its acquisition.

Prior to acquisition by Servoca, Academics had a year end of 31 August. In the year ended 31 August 2007 it had gross margin of £2,857,000 and a net profit after taxation of £637,000.

Had the Group acquired Academics on 1 October 2007, the revenue that Academics would have contributed to the Group would have been £12,645,000 with a profit before taxation of £1,923,000.

24 Acquisitions (continued)

The amount included in the consolidated cash flow statement in respect of acquisitions in the year is as follows:

	Consideration £'000	Cash acquired £'000	Total £'000
Firstpoint	2	-	2
ISS Limited	794	258	1,052
ISS SP Limited	951	(208)	743
Academics Limited	3,076	(1,329)	1,747
At 30 September 2008	**4,823**	**(1,279)**	**3,544**

Acquisitions made in the period ended 30 September 2007 were as follows:

Dream Group Limited

On 7 June 2007, the Company acquired 99.97% of the issued share capital of Dream Group Limited for a total consideration of £4.46 million, satisfied in full by the issue of 17,839,944 ordinary shares of 10p each at 25p per share. Dream Group Limited provides recruitment services in the education and healthcare sectors and a range of support services to the policing sector.

Under IFRS 3 and the AIM Rules, the acquisition was classified as a reverse take over and as a consequence, the figures produced below represent the transaction as if Dream Group Limited acquired Servoca Plc and its subsidiaries on the same date.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill were as follows:

	£'000	£'000
Property, plant and equipment	**122**	
Trade and other receivables	**1,028**	
Cash	**69**	
Trade and other payables	**(2,303)**	
Bank overdraft	**(74)**	
Invoice discounting facilities	**(585)**	
Net liabilities		**1,743**
Consideration paid		
Deemed cost of acquisition (see below)		**3,132**
Costs associated with the acquisition		**396**
Goodwill		**5,271**

The fair value of the deemed cost of acquisition was taken as the market value of Servoca Plc's ordinary shares on 7 June 2007 of 0.575p each multiplied by the shares in issue on that date of 544,704,800 shares.

24 Acquisitions (continued)
Dream Group Limited (continued)
The directors do not consider it to be appropriate to provide details of the results of Servoca Plc since the acquisition as it would be misleading since the majority of the overheads incurred are now for the combined entity rather than just Servoca Plc.

Windsor Recruitment & Training Limited
On 31 July 2007, the Company acquired, as a going concern, the business, trade and certain assets of a business trading as Windsor Recruitment ("Windsor") from the administrators Vantis Group Limited. Windsor provides recruitment services in respect of qualified nurses, care assistants and social work professionals.

The Company paid an initial consideration of £1.37 million, of which £1.16 million related to the debtor book, with the remaining £0.21 million paid in respect of the business, trade and other assets acquired.

Performance related contingent consideration was payable in cash for each of the two 12 month periods following acquisition. This was be payable at the rate of 1.875% on annual turnover billed to customers up to £8 million in each of the 12 month periods. No payment will be due in respect of any 12 month period where annual turnover billed to customers falls below £5 million. The maximum deferred consideration payable was capped at £0.3 million.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Fair value adjustment £'000	**Fair value £'000**
Receivables	1,676	(516)	**1,160**
Consideration paid			
Cash			**1,370**
Acquisition costs and costs to maintain business			**160**
Deferred consideration			**300**
			1,830
Goodwill			**670**

The potential intangible assets that arise from the acquisition of the trade and assets of the group of companies known as Windsor Recruitment from the administrators, Vantis Plc on 31 July 2007, is the difference between the cash consideration paid less net assets acquired. The board considered the existence of any valuable intangible assets within Windsor and had not identified any materially significant items. By definition, the £670,000 was therefore attributed to goodwill.

The following factors have contributed to the recognition of goodwill:

- The acquired workforce
- The expected synergies from acquisition

24 Acquisitions (continued)

Windsor Recruitment & Training Limited (continued)

As part of the acquisition it was agreed that Servoca would pay approximately 70p in the pound for the book debts as a discount on their carrying value due to their ageing and lack of available records.

Included in the results of the Group for the period ended 30 September 2007 is a loss of £672,000 in respect of Windsor since its acquisition. This is considered to be disproportionate to the true trading results of Windsor as it includes costs incurred to maintain staff and business since the purchase out of administration.

The directors consider it impracticable to provide results for Windsor as if it had been acquired on the first day of this reported accounted period as the business was purchased out of administration. As such, books and records are not available.

Firstpoint Healthcare

On 28 September 2007, the Company acquired, as a going concern, the business, trade and certain assets of a business trading Firstpoint Healthcare Limited ("Firstpoint") from the administrators Kroll. Firstpoint provides recruitment services in respect of qualified nurses, care assistants and social work professionals.

The Company paid an initial consideration of £0.7 million, of which £0.5 million related to the debtor book, with the remaining £0.2 million paid in respect of the business, trade and other assets acquired.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	£'000	£'000
Property, plant and equipment	8	
Trade and other receivables	563	
Trade and other payables	(163)	
Net assets		(408)
Consideration paid		
Cash	721	
Acquisition costs	9	
		730
Goodwill		322

24 Acquisitions (continued)
Firstpoint Healthcare (continued)
The potential intangible assets that arise from the acquisition of the trade and assets of Firstpoint from the administrators, Kroll on 28 September 2007, is the difference between the cash consideration paid less net assets acquired. The board considered the existence of any valuable intangible assets within Firstpoint and did not identified any materially significant items. By definition, the £322,000 was therefore attributed to goodwill.

The following factors have contributed to the recognition of goodwill:

- The acquired workforce
- The expected synergies from acquisition

Included in the results of the Group for the period ended 30 September 2007 is a loss of £76,000 in respect of Firstpoint since its acquisition.

The directors consider it impracticable to provide results for Firstpoint as if it had been acquired on the first day of this reported accounted period as the business was purchased out of administration and details are not readily available. However, it is believed that annual revenue was in the region of £4.5 million which is in line with current trading.

25 Operating leases
Many of the Group's smaller premises are under short term licences but the majority of the larger premises are leased. The terms of the property leases vary but tend to be tenant repairing with rent reviews every 2 to 5 years and include break clauses. The Group has a number of vehicles under contract hire.

The future of minimum lease payments are due as follows:

	30 September 2008 Land and buildings £'000	**30 September 2008 Other £'000**	30 September 2007 Land and buildings £'000	30 September 2007 Other £'000
Not later than one year	**473**	**95**	65	1
Later than one year but not later than five years	**658**	**130**	161	6
Later than five years	**-**	**-**	13	-
	1,131	**225**	239	7

26 Notes to the consolidated cash flow statement

a) Cash and cash equivalents comprise

	Year ended 30 September 2008 £'000	Eight months ended 30 September 2007 £'000
Cash available on demand	**204**	99
Overdrafts	**(235)**	(80)
Invoice discounting facilities	**(5,534)**	(2,248)
	(5,565)	(2,229)
Cash and cash equivalents at beginning of period	**(2,229)**	(1,429)
Net cash decrease in cash and cash equivalents	**(3,336)**	(800)

b) Analysis of net debt

	As at 1 October 2007 £'000	Cash flow £'000	Arising on acquisitions £'000	Non cash movement £'000	As at 30 September 2008 £'000
Cash and cash equivalents	(2,229)	(3,336)	-	-	**(5,565)**
Finance lease obligations	(14)	11	(48)	(52)	**(103)**
Loans	-	(1,833)	-	-	**(1,833)**
	(2,243)	(5,158)	(48)	(52)	**(7,501)**

27 Pensions

The Group operates a defined contribution self-administered pension scheme on behalf of certain executive directors. The scheme has been established for a number of years.

In addition, the Group operates a defined contribution Group Personal Pension Plan for all staff employed by the Group for three months or more.

The assets of both schemes are held separately from those of the Group in independently administered funds. The pension costs charge in note 3 represents the contributions payable by the Group to the two schemes for the year.

There were no outstanding or prepaid contributions at either the beginning or end of the year.

28 Related party transactions

Management charges of £80,000 (eight months ended 30 September 2007: £80,000) were made to Day to Day Teachers Limited during the period. D J Browne was a director of this company.

No balances remained outstanding at either period end in respect of Day to Day Teachers Limited.

In May 2008, the Group purchased the business and certain assets of Day 2 Day Teachers Limited from the administrators.

At 30 September 2008, as set out in note 17, contingent consideration of £5,088,000 is payable to the vendors of Academics Limited, of which Emma Sugarman owned 70% of the issued share capital.

Compensation of key management personnel

Key management personnel are defined as being Directors of Servoca Plc. Information on their remuneration is set out in note 4.

29 Subsequent events

(a) Administration of Windsor Recruitment & Training Limited

On 28 January 2009, this company was put into administration due to poor trading within the training division of this company and its continued drain on Group resources. The amount owed to Servoca Plc at the balance sheet date was £1.9 million which has been fully provided for in the accounts of the holding company. It was agreed with the administrators that in order to keep the healthcare recruitment division of this company in operation and to maintain services to customers and retain employees, the trade and certain assets would be purchased by the Group. The Group paid a total consideration of £0.6 million for the trade and assets.

(b) Administration of Salus Recruitment Limited

In February 2009, Salus Recruitment Limited was placed in administration. As mentioned in note 7, there was a legal case against this company which has resulted in the Group paying a settlement of £100,000 to a third party.

(c) Equity fund raising

As mentioned in the Chairman/Chief Executive Officer Report, the Group has agreed a share placing, subject to shareholders approval at the General Meeting on 30 March 2009, which will raise £5 million before expenses which will enhance the working capital of the Group and enable it to continue as a going concern. In January 2009, a short term loan of £1 million was received from Bob Morton and will be repaid following the share placing.

SERVOCA Plc
Independent auditors' report
To the shareholders of Servoca Plc

We have audited the parent Company financial statements of Servoca Plc for the year ended 30 September 2008 which comprise the Company Balance Sheet and the related notes 1 to 13. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Servoca Plc for the year ended 30 September 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Chairman/Chief Executive Officer Report and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion
In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the parent company financial statements.
-

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. This is dependent on the Company raising £5.0 million before expenses by way of a placing of new shares to finance the contingent consideration obligations of the Company and to provide additional working capital. The placing is subject to shareholder approval scheduled for 30 March 2009. If, for whatever reason, the placing is not implemented and alternative sources of finance cannot be obtained, the Company will not be able to meet its contingent consideration and other obligations as they fall due.

This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern if shareholder approval is not received. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Ernst & Young LLP
Registered auditor
London
6 March 2009

SERVOCA Plc
Parent Company balance sheet
At 30 September 2008

	Note	30 September 2008 £'000	30 September 2007 £'000
Fixed assets			
Tangible assets	2	**334**	113
Investments	3	**16,458**	8,294
		16,792	8,407
Current assets			
Debtors	4	**413**	3,137
Cash at bank and in hand		**-**	54
		413	3,191
Creditors: amounts falling due within one year	5	**(8,138)**	(693)
Net current (liabilities)/assets		**(7,725)**	2,498
Total assets less current liabilities		**9,067**	10,905
Creditors: amounts falling due after more than one year	6	**(8,918)**	(7,020)
Provisions for liabilities and charges	7	**(623)**	(213)
Net assets		**(474)**	3,672
Capital and reserves			
Called up share capital	8	**4,812**	3,931
Share premium account	9	**2,054**	8,812
Capital redemption reserve	9	**-**	6,036
Profit and loss account	9	**(7,340)**	(15,107)
Shareholders' (deficit)/funds	10	**(474)**	3,672

The financial statements were approved by the Board and authorised for issue on 6 March 2009.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 67 to 78 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and to comply with the Companies Act 1985. No profit and loss account is presented by the Company as permitted by section 230 of the Companies Act.

Going concern

The Board of Directors regularly monitors the ability of the Company to meet its liabilities as they fall due for the foreseeable future against the facilities and funding options open to it.

Having conducted a review in relation to the financial position at 30 September 2008, the Directors have prepared cash flow forecasts and identified a shortfall of funding. In order to meet this shortfall, the Directors are in the process of raising £5.0 million before expenses by way of a share placing and, at the date of this annual report, have received placing commitments from placees to subscribe for the whole of this amount. The Directors propose to apply the proceeds of the placing to finance the contingent consideration payment of £2.35 million due to the vendor of Academics Limited (see Note 24) and for the remainder to provide additional working capital for the Company.

The placing is subject to shareholder approval scheduled for 30 March 2009. If, for whatever reason, the placing is not implemented and alternative sources of finance cannot be obtained, the Company will not be able to meet its contingent consideration and other obligations as they fall due.

Having taken this uncertainty into account, these financial statements have been prepared on a going concern basis which assumes that the Company will be able to meet its liabilities as they fall due for the foreseeable future.

Investments

Shares in subsidiary undertakings are stated at cost less provision for any impairment in value.

Depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation has been calculated at the following rates:

Fixtures and fittings	- either 25% on a reducing balance basis or 10%-25% on cost
Office equipment	- 25% on a reducing balance basis
Computer equipment	- 3-4 years on a straight line basis
Leasehold improvements	- over the term of lease

1 Accounting policies (continued)

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that deferred tax assets are only recognised to the extent that it is considered more likely than not that these are recoverable. Deferred taxation balances are not discounted.

Financial instruments

Non-derivative financial instruments are recognised initially and subsequently at cost.

The Parent Company does not hold or issue derivative financial instruments for trading purposes.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

Leased assets

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown in the amounts payable to the lessor. Depreciation of the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating leases

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

1 Accounting policies (continued)

Pension costs

The Parent Company operates a defined contribution pension scheme. There is a self-administered scheme for certain executive directors and a Group Personal Pension Plan for staff. The assets of these schemes are held separately from those of the Parent Company in independently administered funds. The pension cost charge represents contributions payable by the Parent Company to the schemes for the year.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of the grant is charged to the profit and loss account over the vesting period. Non-market conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where an equity instrument is granted to a person other than an employee, the profit and loss account is charged with the fair value of goods and services received.

National insurance is payable on gains made by employees on exercise of share options granted to them. The eventual liability to National Insurance is dependent on the market price of the shares at the date of exercise, the number of options to being exercised and the prevailing rate of National Insurance at the date of exercise. The Parent Company provides for potential National Insurance dependant on the current market value of the shares.

2 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings & office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2007	35	4	364	403
Additions	99	27	160	286
At 30 September 2008	**134**	**31**	**524**	**689**
Depreciation				
At 1 October 2007	35	2	253	290
Charge for the year	12	4	49	65
At 30 September 2008	**47**	**6**	**302**	**355**
Net book value				
At 30 September 2008	**87**	**25**	**222**	**334**
At 30 September 2007	-	2	111	113

The net book value of the computer equipment includes an amount of £46,000 (30 September 2007: £6,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £nil (six months ended 30 September 2007: £1,000).

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2007	11,117
Additions	11,731
Fair value adjustment for deferred share consideration	(719)
At 30 September 2008	**22,129**
Provisions	
At 1 October 2007	2,823
Provisions in period	2,848
At 30 September 2008	**5,671**
Net book value	
At 30 September 2008	**16,458**
At 30 September 2007	8,294

An analysis of net book value by subsidiary company is as follows:

	30 September 2008 £'000	30 September 2007 £'000
Berry Recruitment Holdings Limited	**350**	350
1st 4 Locums Limited	**164**	164
Dream Group Limited	**2,180**	2,180
Meadow Two PLC	**5,600**	5,600
Academics Ltd	**8,164**	-
	16,458	8,294

A list of subsidiary companies is disclosed in note 13 to the consolidated financial statements.

Full provision has been made in the year for the investment cost of the two acquisitions made in the year of International Security & Surveillance Limited and ISS Special Projects Limited.

4 Debtors

	30 September 2008 £'000	30 September 2007 £'000
Trade debtors	**11**	-
Amounts due from group undertakings	**-**	2,921
Other debtors	**166**	116
Prepayments and accrued income	**236**	100
	413	3,137

Included in other debtors is an amount of £136,000 (30 September 2007: £71,000) relating to taxation and social security.

All amounts shown fall due for payment within one year.

5 Creditors: amounts falling due within one year

	30 September 2008 £'000	30 September 2007 £'000
Bank overdrafts (unsecured)	**64**	60
Bank loan	**1,833**	-
Trade creditors	**948**	398
Obligations under finance leases	**21**	6
Deferred consideration - cash	**2,697**	-
Deferred consideration – shares	**1,931**	-
Other creditors	**1**	4
Other taxation and social security	**293**	89
Accruals and deferred income	**350**	136
	8,138	693

The Company has an unrecognised deferred tax asset of £1,531,000 (2007: £1,386,000) in respect of tax trading and capital losses, decelerated capital allowances and other timing differences.

6 Creditors: amounts falling due after more than one year

	30 September 2008 £'000	30 September 2007 £'000
Obligations under finance leases	**32**	7
Deferred consideration - cash	**460**	-
Amounts due to group companies	**8,426**	7,013
	8,918	7,020

No terms have been formally agreed for the repayment of the amounts due to group companies but the directors believe that they will not be repaid in the foreseeable future. No interest is charged on balances between group companies.

7 Provisions for liabilities and charges

	Business restructuring £'000	**Vacant property costs £'000**	**National insurance on share options £'000**	**Total £'000**
At 1 October 2007	137	63	13	213
Provided for in the year	382	228	-	610
Released in the year	(137)	(63)	-	(200)
At 30 September 2008	**382**	**228**	**13**	**623**
Due within one year or less	382	96	13	491
Due after more than one year	-	132	-	132
	382	**228**	**13**	**623**

8 Called up share capital

	30 September 2008 Number '000	**30 September 2008 £'000**	30 September 2007 Number '000	30 September 2007 £'000
Authorised:				
Ordinary shares of 10p each	**200,000**	**20,000**	60,000	6,000
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Allotted, issued and fully paid:				
Ordinary shares of 10p each	**48,120**	**4,812**	39,307	3,931
Preference shares of £1 each	**-**	**-**	-	-

The preference shares hold no dividend rights except in the event of a winding up of the Company when any assets held for distribution are first applied to the holders of these shares to the extent they are paid up.

On 3 June 2008, the authorised share capital of the Company was increased to £27,400,000 by the creation of 140 million new ordinary shares of 10p each.

Movements in issued share capital

	Ordinary shares of 10p each Number '000	**Ordinary Shares of 10p each £'000**
Issued:		
In issue at 1 October 2007	39,307	3,931
Issued during period	8,813	881
In issue at 30 September 2008	**48,120**	**4,812**

Share options

At 30 September 2008 employee share options were outstanding as follows:

Number of employees	**Exercise price**	**Date of issue**	**Date first exercisable**	**Date of expiry**	**Number of share options**
35	40.0p	01/12/07	01/12/10	30/11/17	830,000
3	31.5p	31/03/08	31/03/11	30/03/18	240,000
3	10.0p	31/03/08	31/03/11	30/03/18	348,837
7	25.0p	19/07/08	19/07/11	18/07/18	2,475,000

8 Called up share capital
Share options (continued)
The movement in the total number of share options over the periods were as follows:

	2008 Number	2007 Number
Outstanding at beginning of period	**1,600,000**	-
Granted	**4,263,837**	1,600,000
Forfeited	**(1,970,000)**	-
Outstanding at share conversion date	**3,893,837**	1,600,000
Exercisable at year end	**-**	-

The individual share option plans are disclosed below.

2007 share options granted:
During the year ended 30 September 2007, the Company granted 1,600,000 share options to officers and employees that remained unexercised and had not vested as at 30 September 2007.

2008 share options granted
During the year ended 30 September 2008, the Company granted 4,263,837 share options to employees and officers that remained unexercised and had not vested as at 30 September 2008.
During the year ended 30 September 2008, 1,970,000 of the share options were forfeited as a result of the employees leaving the company. The options outstanding at 30 September 2008 had an average exercise price of 27.8p and an average contractual life of 10 years.

These options fall into 4 groups for valuation:

Group 1 – 1,675,000 options granted 19 July 2008
The fair value of the options are, once vested, 9p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 5.03%, the average term of 5 years, share price at time of granting of 25p and volatility of 29.44%.

Group 2 – 1,200,000 options granted 1 December 2007
The fair value of the options are, once vested, 17p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.66%, the average term of 5 years, share price at time of granting of 45p and volatility of 26.72%. The total fair value has been reduced by 20% to reflect the expected forfeit rate for this group of options.

8 Called up share capital

Share options (continued)

Group 3 – 240,000 options granted 31 March 2008
The fair value of the options are, once vested, 10p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 4 – 348,837 options granted 31 March 2008
The fair value of the options are, once vested, 23p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Options over 800,000 shares which were issued during the year have not been valued as they were forfeited when the relevant employee left the company shortly after the year end.

The assumptions in respect of all options granted are based on:

Volatility	Determined by calculating the historical volatility of the Company' s share price over the appropriate previous period.
Average term	Based on the average contractual life adjusted for managements best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.
Risk-free rate of return	Yield of a UK government gilt over the expected life at the date of grant
Forfeit rate	An estimate of the proportion of options that will be forfeited due to employees leaving the company before the vesting date of the options.

9 Share premium account and other reserves

	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 October 2007	8,812	6,036	(15,107)
Capital reduction	(8,812)	(6,036)	14,848
Arising on share issues	2,123	-	-
Share issue costs	(69)	-	-
Loss for the year	-	-	(7,081)
At 30 September 2008	**2,054**	**-**	**(7,340)**

10 Reconciliation of movements in shareholders' funds / (deficit)

	Year ended 30 September 2008 £'000	Six months ended 30 September 2007 £'000
Loss for the year/period	**(7,081)**	(577)
Ordinary shares issued, net of expenses	**2,935**	5,686
Net movement in shareholders' funds	**(4,146)**	5,109
Opening shareholders' funds / (deficit)	**3,672**	(1,437)
Closing shareholders' (deficit)/funds	**(474)**	3,672

11 Parent company results

The Parent Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 not to present its own profit and loss account in these financial statements.

The Parent Company's own result for the year was a loss after taxation of £7,081,000 (six months ended 30 September 2007: loss after taxation of £577,000).

12 Pensions
The Parent Company operates defined contribution self-administered pension schemes on behalf of certain executive directors. The schemes have been established for a number of years.

In addition, the Parent Company operates a defined contribution Group Personal Pension Plan for all staff employed by the Parent Company for three months or more.

The assets of all schemes are held separately from those of the Parent Company in independently administered funds.

There were no outstanding or prepaid contributions at either the beginning or end of the year.

13 Subsequent events
Events subsequent to the balance sheet dates are detailed in note 29 to the consolidated financial statements.