Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2020

SERVOCA Plc
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SERVOCA Plc
Corporate information

Directors

John Foley, ACA, Barrister	Non – Executive Chairman
Andrew Church	Chief Executive Officer
Chris Hinton	Chief Financial Officer
Jonathan Long	Executive Director
Emma Sugarman	Non – Executive Director

Company Secretary and Registered Office
Chris Hinton
Solar House
1-9 Romford Road
London, E15 4LJ

Company Number
02641313

Country of Incorporation
United Kingdom

Bankers
Royal Bank of Scotland Plc
Silbury House
300 Silbury Boulevard
Milton Keynes, MK9 2ZF

Independent Auditor
RSM UK Audit LLP
3 Hardman St
Manchester, M3 3HF

Chairman and CEO Review and Strategic Report

We are pleased to report that, despite the impact of the coronavirus pandemic on the year under review, the Group saw an increase in profit before taxation*, which grew by just over 8% over the prior year. This performance reflected the strong start made by the Group during the period, which helped mitigate the significant impact on revenues and profitability from the pandemic on the year as a whole.

The Group's Recruitment businesses which supply Schools and Nursing Homes were most impacted by the pandemic, both of which saw significantly reduced demand, once lockdown (including school closures) and other virus related restrictions impacted. Demand from the NHS was also reduced for much of the period as priority was given to focussing resources on fighting the pandemic at the inevitable expense of other services. These factors contributed to a £7.1m fall in Group revenues.

We are also pleased to report further substantial improvement in the Group's net debt/cash position, which now shows a substantial cash balance.

Financial review

Group revenue* was £69.7m compared with £76.8m in 2019.

Gross profit* for the year was £15.2m compared with £17.3m in 2019.

Operating profit* increased to £2.7m from £2.5m in 2019.

Adjusted profit before taxation* was £2.6m from £2.4m in 2019.

Acquisition related costs of £0.3m were incurred in the year, all of which related to contingent consideration and other acquisition related costs.

* On continuing operations, before exceptional costs, share based payment charges, amortisation of intangible assets and contingent consideration costs on acquisitions.

Cash/Net debt

As first reported in our review for the year ending September 2019, our cash/net debt position has continued to improve significantly. Cash inflows of £9.3m in the period have resulted in net debt of £3.3m at 30 September 2019 becoming a cash balance of £6.0m at 30 September 2020. Underlying cash, after removing the benefit of £1.6m of VAT deferred as part of government support to businesses during the pandemic, stood at £4.4m.

Whilst the Group has benefitted in part from working capital unwinding as a result of the pandemic, the results reflect much improved conversion of profits into cash and the successful collection of significant amounts of aged debt. As previously reported, following the relocation of our finance function to Manchester in the last quarter of 2019, we have seen ongoing improvement in collections. We have also realised savings of approximately £0.25m per annum as part of this restructure.

Operational Highlights

The focus entering the year was the continued investment and focus on our core Recruitment Businesses. Following the disposal of our Security business in November 2019 and the restructure of our Homecare operation, these businesses started the year strongly before the onset of the coronavirus pandemic.

Following school closures and the difficulties faced by Nursing Homes as a result of the pandemic, the Group took action to reduce overheads, primarily through use of the Government's furlough scheme. Utilisation of the scheme helped reduce overheads by just under £2.3m over the prior year.

Prior to the start of the pandemic, the Group launched a new office in the West Midlands to grow its Healthcare Recruitment services into the NHS and acquired another Regional Education Recruitment business. Term Time Teachers was acquired on 29 February 2020 and, based in Tunbridge Wells, enhanced the Group's coverage in the Kent region. Term Time Teachers has been established for over 20 years, supplying predominantly temporary education resource to local schools. This acquisition took the Group's number of Education recruitment branches nationally to 17. Since acquisition the business was largely faced with the temporary closure of its client base for the remainder of the financial year.

Following a restructuring exercise in our Homecare business, I am pleased to report that, despite the challenges of the pandemic, the operation was returned to profitability following losses incurred in the prior financial year. The operation has been slimmed down to focus only on commercially viable charging arrangements and was therefore able to post a £0.6m improvement in operating profit despite a £3.5m reduction in its revenues.

The impressive cash generation during the period has had a material impact on the strength of the Group's balance sheet. Net Assets increased by £2.5m from £15.2m at 30 September 2019 to £17.7m at 30 September 2020. This has led to the eradication of £3.3m of net debt at the prior year-end to an underlying cash balance of £4.4m at this year-end.

Coronavirus Pandemic and Outlook

Inevitably, despite a strong start to the financial year, the year was dominated by the impact of the coronavirus pandemic and our response to it.

As the scale and impact of the pandemic on our client base became apparent, the Group swiftly took action to reduce overheads as much as practicable without compromising the integrity of our business. Use of the Government's furlough scheme was integral to this action. This, combined with a tremendous effort to retain as much revenue as possible, resulted in the Group being able to record a small profit for the second half of the year when the impact of the pandemic was mainly felt.

Post year-end the UK has once again been under national lockdown and schools have been closed for the start of our second quarter. However, there are signs of optimism as a consequence of the vaccine roll out and we are hopeful that schools will be re-opened and remain open for the second half of the forthcoming financial year. Demand in the NHS is showing signs of improvement though the Nursing Home market remains subdued as occupancy rates remain low. We do not expect this market to recover swiftly. This market is also expected to see some disruption from the introduction of IR35 reforms into the private sector that were previously introduced into the public sector in 2017.

The immediate outlook therefore remains uncertain but the strong progress made by the group in strengthening its balance sheet, and the action taken to limit the damage of the pandemic, leaves it well positioned to make progress when market conditions recover.

John Foley	**Andrew Church**
Chairman	Chief Executive Officer

24 June 2021

The directors present their report together with the audited financial statements for the year ended 30 September 2020.

Principal activities
The principal activities of the Group during the year were the provision of specialist outsourcing and recruitment services to customers in the medical, educational and criminal justice markets. The principal activity of the Company is that of a holding company.

Following the Company's move to delist from the AIM market in June 2019, the decision was taken to dispose of its non-core Security business in the prior year. This disposal took place in November 2019, details of which can be found in note 17.

Key performance indicators
The Group was impacted by the Coronavirus pandemic during the year under review, which has had a significant impact on the Group's KPIs. Whilst there are many financial and operating measures regularly monitored by the Group, the primary financial metrics for continuing operations are:

- Revenue: this has decreased by 9.4% (2019: increase of 2.6%)
- Gross margin percentage: 21.8% (2019: 22.5%)
- Profit before tax, exceptional costs, share based payment charges, amortisation of intangible assets and contingent consideration: £2.6 million (2019: £2.4 million).

Trading review, results and dividends
The consolidated statement of comprehensive income is set out on page 13 and shows the results for the year.

Continuing operations
Group revenue for the year was £69.7 million (2019: £76.8 million) which produced a gross profit of £15.2 million (2019: £17.3 million). Profit before taxation for the year was £2.2 million after contingent consideration costs on acquisitions of £0.3 million (2019: £1.8 million after exceptional costs of £0.3 million, a share based payment charge of £0.1 million and contingent consideration costs on previous acquisitions of £0.2 million).

No dividend has been proposed in respect of the year ended 30 September 2020 (2019: £nil).

Principal risks and uncertainties
Servoca has identified risks and uncertainties to which the business is exposed. The most significant of these and the approach to mitigating these risks are:

- Changes in tax laws, regulations and government spending and policy. The Board keeps itself up to date with national news and press releases taking appropriate steps to address changes.
- Failure to continue to be registered for supply with HTE (Health-Trust Europe LLP), CQC (Care Quality Commission), the Home Office and others that are required for the operation of the various businesses of Servoca to trade in their respective specialist fields. The Group has a dedicated compliance team which monitors and maintains the internal policies and procedures of the Group.
- Failure to attract candidates of sufficient quality or sufficient numbers. Investment has been made in maintaining databases to ensure our records are up to date and reliable.
- Loss of management or key sales staff. Incentive schemes have been put in place to help retain key personnel.

The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 16 to the financial statements. 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.

Section 172 statement

In line with Section 172(1) of the Companies Act 2006, the Directors recognise their responsibility to exercise their duty in a manner which promotes the success of the Group for the benefit of all its stakeholders. We have evaluated the key stakeholders and below explain the way in which we have engaged with them during the year.

Stakeholder Group	Why we engage	How we engage
Employees	Our employees are fundamental to the delivery of our recruitment business and therefore to the long term success of the Group. It is imperative to keep them motivated and actively engaged.	Regular employee communication and engagement occurs through email communication, team meetings and CEO updates. Since the Coronavirus pandemic all employees have been given capability to make video calls to maintain regular communication, whether they work remotely or in an office environment. Annual performance reviews take place to encourage discussions with managers and their teams, as well as promote professional development.
Clients	Securing new clients and retaining long term client relationships is vital to the success of the Group. We work with our clients to find people to fulfil their recruitment needs.	Each sector of our Group deals with client engagement specific to their sector requirements. This can vary, but includes face-to-face meetings, customer satisfaction surveys and focus groups with NHS Trusts. The ultimate goal is to keep clients satisfied by ensuring we are providing an exceptional recruitment service.

Candidates and suppliers	The main suppliers to our business are candidates and contractors required by and supplied to our clients. They are essential to our ability to provide our clients with the services they demand.	Our employees maintain regular contact with our candidates and contractors. We ensure that they are aware of our policies and the need to carry out compliance. The Group has a dedicated finance team that ensures candidates and suppliers are paid on time.
Investors and lenders	It is critical that our investors have confidence in how the Group is operated and its long term strategic objectives. Lender support is crucial in order to achieve the Group's continued investment and growth in our core Recruitment Businesses.	Annual statutory reporting communications and the AGM are the main methods for engagement with investors. Lenders are kept up to date with the Group's financial performance with the provision of monthly management accounts and bi-annual meetings.

Directors
The following directors held office since 1 October 2019:

Director		Office held
John Foley		Non-Executive Chairman
Andrew Church		Chief Executive Officer
Chris Hinton		Chief Financial Officer
Jonathan Long	(appointed 30 January 2020)	Executive Director
Emma Sugarman		Non-Executive Director

Financial instruments
Details of the Group and Company's use of financial instruments and their associated risks are given in note 16 to the financial statements.

Directors' responsibilities
The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and Company financial statements for each financial year. The directors are required to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under Company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Directors' responsibilities *(continued)*
The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU and for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern
The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman and Chief Executive Officer Review and Strategic Report on pages 2 to 4 and in the Directors' Report above. In addition, note 16 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. The invoice discounting facilities are subject to an annual review with a minimum notice period of six months.

The directors have considered the effect of the ongoing coronavirus pandemic on the Group and Company's financial position. After making enquiries and considering the Group's current trading performance, the directors have prepared trading and cash flow forecasts for the period to 30 September 2022. Given the strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors do not see any material uncertainties that cause concern regarding the Group's ability to trade and as such conclude that the Company is able to continue as a Going Concern.

Energy use and carbon emissions
The greenhouse gas ("GHG") emissions statement below provides a summary of the Group's greenhouse gas (carbon) emissions from 1 October 2019 to 30 September 2020. It gives a summary of emissions from fuel combustion and the operation of our facilities, including company cars (scope 1) and from our purchased electricity use during the year (scope 2).

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our own business activities over which we have operational control.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2020.

GHG emissions	**Year ended 30 September 2020**
Emissions from combustion of fuel (scope 1)	136,528 kg CO_2e
Emissions from electricity purchased for own use (scope 2)	72,091 kg CO_2e
Total emissions	**208,619 kg CO_2e**
Intensity: Emissions per £'000 revenue	**2.9948 kg CO_2e**

Third party indemnity provision for directors
Qualifying third party indemnity insurance is in place for the benefit of all the directors of the Company.

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

Auditor
A resolution to re-appoint RSM UK Audit LLP as auditor will be proposed at the next annual general meeting of the Company.

This report was approved by the Board of Directors on […] and signed by order of the Board.

Chris Hinton
Company Secretary 24 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVOCA GROUP PLC

Opinion

We have audited the financial statements of Servoca Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2020 which comprise consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street, Manchester, M3 3HF

24 June 2021

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2020

	Note	2020 Before Amortisation, share based payments, exceptional reorganisation costs and contingent consideration £'000	2020 Amortisation, share based payments, exceptional reorganisation costs and contingent consideration (see note 5) £'000	2020 Total £'000	2019 Before Amortisation, share based payments, exceptional reorganisation costs and contingent consideration £'000	2019 Amortisation, share based payments, exceptional reorganisation costs and contingent consideration (see note 5) £'000	2019 Total £'000
Continuing operations							
Revenue	2	**69,660**	**-**	**69,660**	76,849	-	76,849
Cost of sales		**(54,448)**	**-**	**(54,448)**	(59,562)	-	(59,562)
Gross profit		**15,212**	**-**	**15,212**	17,287	-	17,287
Administrative expenses		**(12,506)**	**(328)**	**(12,834)**	(14,803)	(595)	(15,398)
Operating profit	4	**2,706**	**(328)**	**2,378**	2,484	(595)	1,889
Finance costs	6	**(132)**	**-**	**(132)**	(93)	-	(93)
Profit before taxation		**2,574**	**(328)**	**2,246**	2,391	(595)	1,796
Tax charge	7	**(464)**	**-**	**(464)**	(436)	-	(436)
Total comprehensive income for the year, from continuing operations		**2,110**	**(328)**	**1,782**	1,955	(595)	1,360
Profit/(loss) for the year from discontinued operations	17	**747**	**-**	**747**	(80)	-	(80)
Total comprehensive income for the year attributable to the owners of the parent		**2,857**	**(328)**	**2,529**	1,875	(595)	1,280

The notes on pages 17 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2020

	Note	30 September 2020 £'000	30 September 2019 £'000
Assets			
Non-current assets			
Investment in sublease	9	**485**	-
Intangible assets	10	**9,529**	9,281
Property, plant and equipment	11	**2,568**	1,025
Total non-current assets		**12,582**	10,306
Current assets			
Trade and other receivables	13	**9,538**	12,202
Cash and cash equivalents	21	**6,003**	196
		15,541	12,398
Assets of disposal group classified as held-for-sale	17	**-**	2,982
Total current assets		**15,541**	15,380
Total assets		**28,123**	25,686
Liabilities			
Non-current liabilities			
Lease liabilities	15	**(1,710)**	-
Total non-current liabilities		**(1,710)**	-
Current liabilities			
Trade and other payables	14	**(7,655)**	(5,693)
Corporation tax payable		**(594)**	(422)
Lease liabilities	15	**(469)**	-
Other financial liabilities	15	**-**	(2,629)
Liabilities of disposal group classified as held-for-sale	17	**-**	(1,776)
Total current liabilities		**(8,718)**	(10,520)
Total net assets		**17,695**	15,166
Capital and reserves attributable to equity owners of the Company			
Called up share capital	18	**1,256**	1,256
Share premium account	19	**202**	202
Merger reserve	19	**2,772**	2,772
Reverse acquisition reserve	19	**(12,268)**	(12,268)
Retained earnings		**25,733**	23,204
Total equity		**17,695**	15,166

The financial statements were approved by the Board and authorised for issue on 24 June 2021 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 17 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2018 attributable to equity owners of the parent	1,256	202	2,772	(12,268)	21,870	**13,832**
Loss for the year being total comprehensive profit for the year	-	-	-	-	1,280	**1,280**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	63	**63**
Net purchase of treasury shares (note 18)	-	-	-	-	(9)	**(9)**
Total transactions with owners	-	-	-	-	54	**54**
Balance as at 30 September 2019 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**23,204**	**15,166**
Profit for the year being total comprehensive profit for the year	-	-	-	-	2,529	**2,529**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	-	**-**
Net purchase of treasury shares (note 18)	-	-	-	-	-	**-**
Total transactions with owners	-	-	-	-	-	**-**
Balance as at 30 September 2020 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**25,733**	**17,695**

The notes on pages 17 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2020

	Note	2020 £'000	2019 £'000
Operating activities – continuing operations			
Profit before tax		**2,246**	1,796
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**889**	385
Share based payments		**-**	63
Finance costs		**132**	93
Decrease in trade and other receivables		**4,492**	1,428
Increase/(decrease) in trade and other payables		**1,865**	(326)
Cash generated from continuing operations		**9,624**	3,439
Corporation tax paid		**(340)**	(54)
Cash flows from operating activities of continuing operations		**9,284**	3,385
Investing activities – continuing operations			
Acquisitions, net of cash acquired		**(334)**	(151)
Deferred consideration paid		**(150)**	-
Purchase of property, plant and equipment		**(164)**	(411)
Net cash flows used in investing activities of continuing operations		**(648)**	(562)
Financing activities – continuing operations			
Interest paid		**(30)**	(93)
Proceeds from sublease investment		**48**	-
Repayment of lease liabilities		**(718)**	-
Net purchase of shares held in treasury		**-**	(9)
Net cash flows used in financing activities of continuing operations		**(700)**	(102)
Increase/(decrease) in cash and cash equivalents from continuing operations	22	**7,936**	2,721
Increase/(decrease) in cash and cash equivalents from discontinued operations	17	**1,351**	179
Total increase/(decrease) in cash and cash equivalents		**9,287**	2,900
Cash and cash equivalents at beginning of the year	22	**(3,284)**	(6,184)
Cash and cash equivalents at end of the year	22	**6,003**	(3,284)

Cash and cash equivalents are split as follows:

Cash and cash equivalents of continuing operations	**6,003**	(2,433)
Cash and cash equivalents of discontinued operations	**-**	(851)
Cash and cash equivalents at end of the year	**6,003**	(3,284)

The notes on pages 17 to 42 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is a public company limited by shares incorporated and domiciled in the England and Wales. 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 2006 applicable to companies preparing their financial statements under IFRS. The financial statements have been prepared under the historical cost convention.

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

The Group financial statements have been prepared for a twelve month period to 30 September 2020 and the comparative figures represent a twelve month period to 30 September 2019.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 9. In addition note 16 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. The invoice discounting facilities are subject to an annual review with a minimum notice period of six months.

The directors have considered the effect of the ongoing coronavirus pandemic on the Group and Company's financial position. After making enquiries and considering the Group's current trading performance, the directors have prepared trading and cash flow forecasts for the period to 30 September 2022. Given the strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors do not see any material uncertainties that cause concern regarding the Group's ability to trade and as such conclude that the Company is able to continue as a Going Concern.

1 Accounting policies *(continued)*

Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate IFRSs and the Group's accounting policies:

- Impairment of goodwill. 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. Details of the calculations, assumptions and rates used are disclosed in note 10.
- Provision for doubtful debts. Management reviews trade receivables on a regular basis and doubtful debts are provided for on the basis of expected recoverability based on credit ratings, knowledge of the customer, market conditions and previous experience. Further details are disclosed in note 13.
- Business combinations. On acquisition, the Company calculates the fair value of the assets, liabilities and contingent liabilities acquired. The assessment of fair values is judgemental and directly impacts the value of goodwill carried on the statement of financial position.

Adoption of new and amended IFRS and IFRIC interpretations

At the date of approval of these financial statements, the following new Standards and Interpretations have become effective during the year:

IFRS 16: Leases

IFRS 16 introduces a single on-balance sheet lease accounting model whereby the Group, as a lessee, has recognised right of use assets representing the right to use the underlying asset and lease liabilities representing its obligation to make lease payments.

The Group adopted IFRS 16 on 1 October 2019, using the modified retrospective approach. The Group has recognised new assets and liabilities for its operating leases of property. The nature of expenses related to leases has changed because the Group now recognises a depreciation charge for right of use assets and interest expense on lease liabilities to which they relate. Previously, the Group policy was to recognise operating lease expenses on a straight line basis over the term of the lease. Due to adoption of IFRS 16, in the year under review depreciation and interest have increased by £603k and £103k respectively which is offset by a reduction in property costs of £702k. Operating profit has increased by £99k and there has been a reduction in profit before tax of £4k.

In applying IFRS 16 for the first time the Group has used the following practical expedients permitted by the standard when applying to leases previously classified as operating leases under IAS 17:

- exclusion of initial direct costs in measuring the right of use asset at the initial application date
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- exemption not to recognise right of use assets and liabilities for leases with less than 12 months of lease term
- exemption not to recognise right of use assets and liabilities for low value assets; and
- use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

1 Accounting policies *(continued)*

Standards effective in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 September 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2020. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Revenue

Revenue represents proceeds from services provided, 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 on commencement of employment. A provision is made for possible cancellation of placements shortly after commencement of employment within the "clawback" period.

Revenue from the sale of security products is recognised when the risks and rewards of ownership have passed to the customer, which is usually on delivery. Revenue from maintenance and auditing in relation to the sale of security products is recognised on a monthly basis over the term of the agreements.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of the exchange. Costs directly attributable to the acquisition are expensed as incurred. Contingent consideration due to the vendors is treated in accordance with IFRS 3 when it is linked to the continued employment of the previous owners. In the consolidated statement of financial position, 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 statement of comprehensive income 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.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to profit or loss. 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 profit or loss.

1 Accounting policies *(continued)*

Impairment of non-financial assets

Goodwill is not amortised, but instead subject to annual impairment reviews. 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 (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Any impairment losses are recognised in profit or loss immediately. Impairment of goodwill is not subsequently reversed.

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 (i.e. the lowest group of assets to 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 statement of comprehensive income.

Externally acquired intangible assets

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

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

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, fittings and office equipment	-	10%-25% on a straight line basis
Motor vehicles	-	25%-33% on a reducing balance basis
Computer equipment	-	25%-33% on a straight line basis
Leasehold improvements	-	over the remaining term of lease
Right of use assets	-	over the life of the associated lease, straight line

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position 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 nor taxable profit or loss; and
- investments in subsidiaries 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.

1 Accounting policies ***(continued)***

Deferred taxation ***(continued)***

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 reporting date and are expected to apply when the deferred tax assets or liabilities are recovered or settled. Deferred tax balances are not discounted.

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 Group's financial assets comprise trade and other receivables, accrued income and cash at bank and in hand.

Trade and other receivables arise principally through the provision of services to customers. They are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and invoice discounting facilities.

Financial liabilities and equity instruments

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 is recognised over the period until repayment at a constant rate on the balance and the liability in the statement of financial position.

The Group operates invoice discounting facilities on its trade receivables. Advances of between 80% and 85% of the agreed balances can be drawn down in advance. Interest is payable at a prevailing commercial rate on balances drawn. Invoice discounting facilities are shown within current liabilities in the statement of financial position.

1 Accounting policies *(continued)*

Financial instruments *(continued)*

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

Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

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 either when they are paid or a liability is established by approval of the shareholders.

Leased assets

Where substantially all of the risks and rewards of ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to profit or loss 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 a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The Group has complied with the Auto Enrolment legislation of The Pension Act and employees have been enrolled as the companies have reached their staging dates. The pension cost charge represents contributions payable by the Group to the schemes for the year.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

Share-based payments

Where the Group has awarded equity settled share options to employees, the fair value of the options at the date of the grant is charged to profit or loss over the vesting period. Non-market conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting 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, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit or loss over the remaining vesting period.

2 Revenue

The Group's revenue from continuing operations comprises recruitment and outsourcing services.
The Recruitment segment provides recruitment services to the Healthcare, Education and Police sectors.
The outsourcing segment provides services to the Domiciliary Care sectors.

	2020	2019
	£'000	£'000
Revenue is split into the following segments:		
Recruitment	**66,456**	70,073
Outsourcing	**3,204**	6,776
	69,660	76,849

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

3 Employees

	2020	2019
	£'000	£'000
Staff costs from continuing operations within administrative expenses, including executive directors, consist of:		
Wages and salaries	**7,911**	9,035
Social security costs	**954**	993
Redundancy costs	**161**	35
Pension contributions	**146**	125
Share-based payments	**-**	63
	9,172	10,251

	2020	2019
	Number	Number
The average monthly number of employees of continuing operations, including directors, during the year was as follows:		
Operations	**37**	44
Sales	**163**	156
Financial and administration	**30**	32
	230	232

3 Directors' remuneration

Total remuneration was as follows:	**2020 £'000**	2019 £'000
Salaries and benefits	**866**	649
Pension contributions	**6**	3
	872	652
Salary and benefits of the highest paid director:		
Salaries and benefits	**370**	367
Pension contributions	**1**	1
	371	368

During the year, three directors had benefits accruing under defined contribution pension schemes (year ended 30 September 2019: two).

4 Operating profit

	2020 £'000		2019 £'000	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Operating profit is stated after charging:				
Depreciation of property, plant and equipment	**889**	**4**	385	24
Amortisation of intangible assets	**-**	**-**	-	42
Share based payment expense	**-**	**-**	63	-
Contingent consideration	**300**	**-**	150	-
Exceptional reorganisation costs	**-**	**-**	251	-
Acquisition costs	**29**	**-**	131	-
Operating lease rentals:				
- land and buildings	**65**	**3**	651	16
- other	**74**	**13**	326	46
Remuneration to auditor:				
- Audit of the Company's financial statements pursuant to legislation	**12**	**-**	12	-
- Audit of the subsidiaries' financial statements pursuant to legislation	**58**	**-**	56	-
- Other taxation compliance services	**25**	**-**	24	4

4 Operating profit (continued)

Analysis of expenses by nature	**2020 £'000**		2019 £'000	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Direct cost of temporary placements	**54,448**	**1,028**	59,562	6,534
Staff costs	**9,172**	**186**	10,251	1,003
Cost of inventory	**-**	**159**	-	642
Depreciation and amortisation	**889**	**4**	385	66
Property costs	**364**	**5**	1,046	30
Others	**2,541**	**135**	3,809	812
	67,414	**1,517**	75,053	9,087

Direct cost of temporary placements includes the employment costs of candidates whether by means of umbrellas companies or contract for services.

During the year the Company received government grants under the Job Retention Scheme totalling £5.3 million (2019: nil), of which £4.5 million was for temporary workers and £0.8 million was for permanent employees. The gross costs directly attributable to these grants are shown in cost of sales and administrative expenses respectively, which is where the grants have also been recognised.

5 Amortisation, share based payments, contingent consideration and exceptional costs

	2020 £'000	2019 £'000
Share based payments	**-**	63
Contingent consideration	**300**	150
Exceptional costs		
- Reorganisation costs	**-**	251
- Acquisition costs	**28**	131
	328	595

6 Finance costs

	2020 £'000	2019 £'000
Interest on invoice discounting facilities	**29**	93
Interest on IFRS 16 lease liabilities	**103**	-
	132	93

7 Taxation

a) The major components of the income tax charge are:

	2020 £'000	2019 £'000
Current income tax		
Current year charge	**472**	398
Adjustment in respect of earlier years	**(3)**	14
	469	412
Deferred tax		
Origination and reversal of temporary differences	**(12)**	31
Adjustment in respect of earlier years	**7**	(7)
	(5)	24
Total income tax charge from continuing operations	**464**	436

b) Reconciliation of the total tax charge

A reconciliation between the tax charge and the product of the accounting profit multiplied by the tax rate for the years ended 30 September 2020 and 2019 is as follows:

	2020 £'000	2019 £'000
Profit before taxation from continuing operations	**2,246**	1,796
Profit before taxation multiplied by the average rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**427**	341
Fixed asset differences	**15**	4
Expenses not deductible for tax purposes	**3**	56
Other permanent differences	**16**	30
Group relief from discontinued operations	**-**	(8)
Temporary differences not recognised for tax	**(1)**	6
Adjustment in respect of earlier years	**4**	7
Total tax charge on continuing operations reported in the consolidated statement of comprehensive income	**464**	436

c) Deferred tax

The deferred tax liability that has been recognised in the statement of financial position is as follows:

	2020 £'000	2019 £'000
As at 1 October	**(25)**	(3)
Decelerated capital allowances:		
Movement in respect of current year	**12**	(32)
Movement in respect of prior years	**3**	10
As at 30 September	**(10)**	(25)

7 Taxation (continued)

d) Unrecognised deferred tax

The Group has the following significant items for which no deferred tax asset has been recognised at the statement of financial position date:

	2020	2019
	£'000	£'000
Capital losses for offset against future capital gains	**1,448**	1,448

The asset in respect of capital losses has not been recognised as there is currently not sufficient evidence about available gains in the future.

8 Dividends

No dividend for the year ended 30 September 2020 has been proposed (2019: £nil).

9 Investment in sublease

The group has entered into sublease arrangements as a lessor that are considered to be similar in nature to finance leases. The Group subleases part of one property and as they transfer substantially all of the risks and rewards of ownership of the asset they are classified as an investment in sublease. The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2020	2019
	£'000	£'000
Less than one year	**91**	-
Later than one year but less than five years	**365**	-
More than five years	**112**	-
Total undiscounted lease payments receivable	**568**	**-**
Unearned finance income	**(83)**	-
Net investment in sublease	**485**	**-**

10 Intangible assets

	Goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
Cost				
Balance at 1 October 2018	**17,293**	**118**	**294**	**17,705**
On acquisition	267	-	-	267
Balance at 1 October 2019	**17,560**	**118**	**294**	**17,972**
On acquisition	299	-	-	299
Disposal	(51)	-	-	(51)
Balance at 30 September 2020	**17,808**	**118**	**294**	**18,220**
Accumulated amortisation and impairment				
Balance at 1 October 2018 and 2019	**8,279**	**118**	**294**	**8,691**
Amortisation for the year	-	-	-	-
Balance at 30 September 2020	**8,279**	**118**	**294**	**8,691**
Net book value				
At 30 September 2018	9,014	-	-	9,014
At 30 September 2019	9,281	-	-	9,281
At 30 September 2020	**9,529**	**-**	**-**	**9,529**

Details of goodwill allocated to cash generating units (CGU) is as follows:

	30 September 2020 £'000	30 September 2019 £'000
A-Day Consultants Limited	**6,923**	**6,923**
Classic Education Limited	**1,187**	**1,187**
Others	**1,419**	**1,171**
	9,529	**9,281**

In assessing the extent of any impairment to goodwill, value in use calculations are based on cash flow projections from formally approved budgets covering a one year period to September 2021 and estimates for subsequent years. The key assumptions in the value in use calculations are:

- Forecasts are based on pre tax cash flows derived from the approved budget to September 2021. These have been prepared based on management's past experience taking into account future expectations. Management believe that these forecasts are reasonably achievable;
- Actual performance for the first half of the financial year to September 2021 has been considered alongside the budget and revised forecasts produced for 2022 and 2023;
- The revenue growth estimates for future years are extrapolated at between 0% and 10% depending on the sector (2019: 0% and 5%) per annum for the first year and between 0% and 10% thereafter (2019: 2% and 4%). This is based on the Group's estimate of the long term growth rate of the recruitment sector and management's experience of the sector;

10 Intangible assets (continued)

- Gross margin percentage is assumed to remain generally constant; and
- The pre tax discount rate used is based on the estimated weighted average cost of capital of 9.0% (2019: 9.0%).

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

Sensitivity to changes in assumptions
The impairment calculations are sensitive to changes in the above assumptions; however management believes that the forecasts are achievable and that no reasonable probable change to these assumptions would lead to impairment.

11 Property, plant and equipment

	Right of use assets	Leasehold improvements	Motor vehicles	Fixtures, fittings and office equipment	Computer equipment	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
Balance at 1 October 2018	**-**	**557**	**-**	**589**	**1,170**	**2,316**
Additions	-	58	6	97	286	447
Transfer to disposal group held-for-sale	-	-	(6)	(2)	(28)	(36)
Balance at 1 October 2019	**-**	**615**	**-**	**684**	**1,428**	**2,727**
Additions	-	53	-	19	92	164
Acquisition of subsidiary	-	-	7	1	-	8
IFRS 16 adoption	2,783	-	-	-	-	2,783
Disposals	(523)	-	-	-	-	(523)
Balance at 30 September 2020	**2,260**	**668**	**7**	**704**	**1,520**	**5,159**
Accumulated depreciation						
Balance at 1 October 2018	**-**	**165**	**-**	**356**	**794**	**1,315**
Depreciation charge for the year	-	81	2	77	249	409
Eliminated on disposal	-	-	(2)	(4)	(16)	(22)
Balance at 1 October 2019	**-**	**246**	**-**	**429**	**1,027**	**1,702**
Depreciation charge for the year	603	71	1	72	142	889
Balance at 30 September 2020	**603**	**317**	**1**	**501**	**1,169**	**2,591**
Net book value						
At 30 September 2018	-	392	-	233	376	1,001
At 30 September 2019	-	369	-	255	401	1,025
At 30 September 2020	**1,657**	**351**	**6**	**203**	**351**	**2,568**

12 Subsidiary undertakings

The following companies were the main subsidiary undertakings at the end of the year 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
SN&C Holdings Limited	England and Wales	100%	Holding company
Servoca Nursing & Care Limited*	England and Wales	100%	Staffing and recruitment
Servoca Resourcing Solutions Limited	England and Wales	100%	Staffing and recruitment
Firstpoint Healthcare Limited*	England and Wales	100%	Staffing and recruitment
A-Day Consultants Limited	England and Wales	100%	Staffing and recruitment
Healthcare Staffing Group Limited	England and Wales	100%	Holding company
Firstpoint Homecare Limited	England and Wales	100%	Staffing and recruitment
A+ Teachers Limited*	England and Wales	100%	Staffing and recruitment
Classic Education Limited*	England and Wales	100%	Staffing and recruitment
Academics Solutions (UK) Limited*	England and Wales	100%	Staffing and recruitment
Term Time Teachers Limited*	England and Wales	100%	Staffing and recruitment

*Undertaking held indirectly by Parent Company.

The Registered Office of all the above is 4th Floor, Solar House, 1-9 Romford Road, London E15 4LJ.

The dormant and holding companies referred to above have taken the exemption in S480 of the Companies Act 2006 (the Act) from the requirement of the Act for their individual accounts to be audited.

13 Trade and other receivables

	30 September 2020 £'000	30 September 2019 £'000
Due in less than one year:		
Trade receivables	**6,887**	9,825
Less: Provision for impairment of trade receivables	**(545)**	(536)
Trade receivables net	**6,342**	9,289
Other receivables	**1,604**	55
Prepayments and accrued income	**1,592**	2,858
	9,538	12,202

13 Trade and other receivables *(continued)*

	30 September 2020 £'000	30 September 2019 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**8,938**	11,505
Cash and cash equivalents	**6,003**	196
Total financial assets classified as loans and receivables	**14,941**	11,701

The fair values of financial assets classified as loan and receivables approximate to their carrying value. Trade receivables are non-interest bearing and are generally on 14-60 day terms. At 30 September 2020, trade receivables of £545,000 (30 September 2019: £536,000) were impaired and fully provided for.

At 30 September 2020 the analysis of trade receivables is:

	Total £'000	**Neither past due nor impaired £'000**	**Past due or impaired 31-60 days £'000**	**60-90 days £'000**	**90-120 days £'000**	**120+ days £'000**
Trade receivables	6,887	4,777	674	96	33	1,307
Provision	(545)	-	-	-	-	(545)
	6,342	4,777	674	96	33	762

At 30 September 2019 the analysis of trade receivables was:

	Total £'000	Neither past due nor impaired £'000	Past due or impaired 31-60 days £'000	60-90 days £'000	90-120 days £'000	120+ days £'000
Trade receivables	9,825	5,608	1,388	532	185	2,112
Provision	(536)	-	-	-	-	(536)
	9,289	5,608	1,388	532	185	1,576

13 Trade and other receivables *(continued)*

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

	30 September 2020 £'000	30 September 2019 £'000
At beginning of the year	**536**	511
Utilised during the year	**(29)**	(15)
Provided during the year	**38**	40
At end of the year	**545**	536

The movements on the provision relating to continuing operations during the year totalling £0.03 million (2019: £0.04 million) have been included in administrative expenses in the statement of comprehensive income.

Trade receivables are reviewed on a regular basis by reference to credit ratings and historical information where available. On the basis of the assumptions arising from the work carried out on the trade receivables, specific doubtful debts are provided against.

14 Trade and other payables

	30 September 2020 £'000	30 September 2019 £'000
Trade payables	**152**	324
Other taxation and social security	**2,956**	1,481
Contingent consideration	**313**	163
Other payables	**1,929**	1,208
Accruals and deferred income	**2,295**	2,492
Deferred tax	**10**	25
	7,655	5,693

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

The contingent consideration is the amounts due at the year end to the vendors of Academic Solutions (UK) Limited and Term Time Teachers Limited in accordance with the sale agreements. The total expected consideration is spread over the period of the earn outs and the balances at the year end represent amounts due up to that date.

15 Other financial liabilities

Non-current financial liabilities	**30 September 2020 £'000**	30 September 2019 £'000
IFRS 16 lease liabilities	**1,710**	-

Current financial liabilities	30 September 2020 £'000	30 September 2019 £'000
Invoice discounting facility	-	2,629
IFRS 16 lease liabilities	469	-
	469	2,629

Invoice discounting facilities are secured by a charge over the borrowing company's book debts and were not being utilised at 30 September 2020 (2019: £2,629,000). Interest during the year is payable on any drawn facilities at commercial rates. There is a cross company guarantee in place in relation to the invoice discount facility for all the trading Servoca Plc subsidiary companies that use the facility.

IFRS 16 lease liabilities (policy applicable from 1 October 2019) are initially measure at the present value of the lease payments relating to right-of-use assets (see note 11), discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's estimate of an incremental borrowing rate (vehicle and printer fleet: 6.1%, office and other properties: 4.0%). Lease payments included in the measurement of the lease liability comprise the contracted fixed payments.

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

- Credit risk
- 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 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.

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 below.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash at bank
- Invoice discounting facilities
- Trade and other payables

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.

16 Financial instruments *(continued)*

The Group's working capital is financed largely by invoice discounting facilities within each trading subsidiary. At 30 September 2020 these facilities were not being utilised (2019: £2,629,000).

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 reporting date there were no significant concentrations of credit risk.

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

The Group does not enter into derivatives to manage credit risk. A large majority of the customer base is within the public sector and there 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 13.

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.

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

Given that the invoice discounting facilities have not been utilised between March 2020 and the period end, this risk is not deemed material for the Group's results.

16 Financial instruments *(continued)*

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 invoice discounting and share capital. Short-term flexibility is achieved by the use of bank 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 60 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.

A maturity analysis of the financial liabilities classified as financial liabilities measured at the sum of the undiscounted contractual cash flows is as follows:

	Due in less than 1 year £'000	**Between 1 and 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Trade and other payables	**5,275**	**-**	**-**	**5,275**
Invoice discounting facilities	**-**	**-**	**-**	**-**
IFRS 16 lease liabilities	**469**	**1,303**	**407**	**2,179**
At 30 September 2020	**5,744**	**1,303**	**407**	**7,454**

	Due in less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	4,289	-	-	4,289
Invoice discounting facilities	2,629	-	-	2,629
At 30 September 2019	6,918	-	-	6,918

16 Financial instruments *(continued)*

Undrawn facilities

As at the reporting date the Group had the following undrawn committed borrowing facilities available to it:

	30 September 2020 £'000	30 September 2019 £'000
Expiring within one year	**8,500**	5,216

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 Group's ability to continue as a going concern and provide returns to shareholders.

Movements in capital during the year are disclosed in note 18 and the Consolidated Statement of Changes in Equity.

17 Non-current assets classified as held-for-sale and discontinued operations

Security

Following the Company's move to delist from the AIM market in June 2019, the decision was also taken to dispose of its non-core Security business, Servoca Secure Solutions Ltd.

In the year ended 30 September 2019, as a result of the decision to sell Servoca Secure Solutions Ltd, the Company considered the recoverable amount of the assets within that entity and identified that an impairment was required in respect of a number of the assets to write them down to their recoverable amounts.

On 29 November 2019, the Company disposed of Servoca Secure Solutions Ltd. This was for an initial cash consideration of £0.5 million and repayment of a term loan balance totalling £1.5 million in instalments over 18 months.

Key amounts relating to the discontinued Security component are as follows:

	30 September 2020 £'000	30 September 2019 £'000
Revenue	**1,508**	9,008
Cost of sales	**(1,187)**	(7,175)
Gross profit	**321**	1,833
Administrative expenses and finance costs	**(330)**	(1,912)
Profit on disposal of subsidiary	**756**	-
Profit/(loss) before taxation	**747**	(79)
Tax charge	**-**	(1)
Profit/(loss) for the year from discontinued operations	**747**	(80)

17 Non-current assets classified as held-for-sale and discontinued operations *(continued)*

The carrying value of the Security component after classification as held for sale is made up as follows:

	2020 £'000	2019 £'000
Assets		
Intangibles	-	41
Property, plant and equipment	-	37
Other current assets	-	2,904
Total assets at 30 September	-	2,982
Liabilities		
Trade and other payables	-	(1,776)
Total liabilities at 30 September	-	(1,776)
Net carrying amount of disposal group at 30 September	-	1,206

The cash flow from operating, investing and financing activities of the Security component during the year was as follows:

	30 September 2020 £'000	30 September 2019 £'000
Cash generated from operations	**485**	230
Cash flows used in investing activities	**869**	(36)
Cash flows used in financing activities	**(3)**	(15)
Increase/(decrease) in cash and cash equivalents	**1,351**	179

18 Called up share capital

	30 September 2020 Number '000	**30 September 2020 £'000**	30 September 2019 Number '000	30 September 2019 £'000
Allotted, issued and fully paid:				
New Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256
	125,575	**1,256**	125,575	1,256

During the year the Company acquired none of its own shares (2019: acquired 90,000 for £9,000). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 4,071,868 which represented 3.24% of the called up share capital of the Company (2019: 4,071,868 representing 3.24%). The Company has the right to re-issue these shares at a later date. The maximum number of treasury shares held during the year was 4,071,868 (2019: 4,071,868).

18 Called up share capital *(continued)*

Share options

At 30 September 2020 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
2	5.0p	12/10/11	See below	12/10/21	267,500
1	2.38p	25/03/13	See below	25/03/23	1,260,500
					1,528,000

At 30 September 2019 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
3	5.0p	12/10/11	See below	12/10/21	490,000
1	2.38p	25/03/13	See below	25/03/23	1,260,500
1	8.00p	26/02/14	See below	25/02/24	250,000
					2,000,500

The options issued on 12 October 2011 and 25 March 2013 can be exercised only on a change of control of the Company.

In accordance with IFRS 2 "Share-Based Payment", employee share options are required to be measured at fair value at the date of grant and the resulting charge expensed through profit or loss over the vesting period.

The movements in the total number of share options is as follows:	**2020 Number**	2019 Number
Outstanding at beginning of year	**2,000,500**	**2,116,779**
Expired during the year	**-**	**(116,279)**
Leavers during the year	**(472,500)**	**-**
Outstanding at end of year	**1,528,000**	**2,000,500**
Exercisable at end of year	**-**	**-**

The weighted average exercise price of the share options outstanding at the year end is 2.8p (2019: 3.7p) and the weighted average contractual life of the options outstanding at the end of the year is 2.2 years (2019: 3.3 years).

18 Called up share capital *(continued)*

Details of parent company share option schemes.

267,500 options granted 12 October 2011 and 1,260,500 options granted 25 March 2013.

The fair values of the options were between 2.38p and 5.00p per option at the date of grant. They can only be exercised on change in control of the Company but must be exercised no later than ten years after the date of the grant. The share price at the time of grant was 5p for those granted in October 2011 and 2.38p for those granted in March 2013.

The assumptions in respect of the options granted in groups 1 to 2 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.

Details of other share options and long term incentive schemes.

In October 2011, the Servoca Management Incentive Plan was put into operation by the purchase of A, B, C, D, E, F, G and I ordinary shares in certain of the subsidiary group companies by key employees. Following a set period of time and under specific circumstances, these ordinary shares in the subsidiary companies can be exchanged for a deferred right to acquire shares in Servoca Plc at values set out in the Plan Rules.

The charge to the consolidated statement of comprehensive income is £nil (2019: £62,766).

19 Reserves

The share premium account consists of the amount subscribed for share capital in excess of nominal value after deducting costs directly incurred in issuing the 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 in 2007.

20 Acquisitions

On 29 February 2020, the Group acquired the entire share capital of Term Time Teachers Limited and entire Membership Interest of Term Time Teachers (2) LLP (together "Term Time Teachers") for an initial consideration of £2.8 million. A further maximum of £0.8 million of deferred contingent consideration is payable dependant on Term Time Teachers achieving certain levels of gross margin in the two years following acquisition. The payment of these additional amounts is dependent on continuing employment of the former shareholders and they are therefore accounted for as post acquisition remuneration, as required by IFRS 3, rather than part of the consideration on acquisition. This has resulted in a charge of £0.2 million being recognised in the year ended 30 September 2020.

The trade relates to education recruitment operating in Kent which will enhance the Group's coverage in this region and is aligned with the Group's acquisition strategy.

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

	£'000	£'000
Tangible fixed assets	**8**	
Trade and other receivables	**327**	
Cash	**2,432**	
Corporation tax	**(33)**	
Trade and other payables	**(267)**	
Net assets		**2,467**
Consideration		
Cash on completion		**2,766**
Goodwill		**299**

The directors did not identify any other separable intangible assets in respect of this acquisition. The goodwill represents the expected value of synergies from the integration into a larger group.

Included in the results of the Group for the year is revenue of £571,000 and a loss before tax of £11,000 in respect of Term Time Teachers since its acquisition, which represents the 7 months from date of acquisition.

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

	Cash consideration paid £'000	Cash acquired £'000	Total £'000
All acquisitions	**2,766**	**(2,432)**	**334**

21 Leases

As noted within the accounting policies, the Group has adopted the modified retrospective approach with respect to leases for the year ended 30 September 2020 which has resulted in certain leases being reported as right-of-use assets on the balance sheet as well as the associated lease liability within borrowings. Interest on the liabilities, calculated at the incremental borrowing rates (vehicle and printer fleet: 6.1%, office and other properties: 4.0%) is charges to the income statement monthly. This approach does not result in any adjustments to the results reported for the year ended 30 September 2019 which continues to be reported under IAS 17.

The Group lease a number of office premises as well as a proportion of the motor vehicle and printer fleet under no-cancellable lease agreements. The total future minimum lease payments are due as follows:

Operating leases	**30 September 2020 Land and buildings £'000**	**30 September 2020 Other £'000**	30 September 2019 Land and buildings £'000	30 September 2019 Other £'000
Not later than one year	**51**	**-**	681	159
Later than one year but less than five years	**-**	**-**	1,481	157
More than 5 years	**-**	**-**	436	-
	51	**-**	2,598	316

IFRS 16 lease liabilities – right-of-use assets	**30 September 2020 Land and buildings £'000**	**30 September 2020 Other £'000**	30 September 2019 Land and buildings £'000	30 September 2019 Other £'000
Not later than one year	**387**	**82**	-	-
Later than one year but less than five years	**1,213**	**90**	-	-
More than 5 years	**407**	**-**	-	-
	2,007	**172**	-	-

The carrying value of those assets reported as right-of-use are reported in note 11.

The following expenses relating to lease liabilities were recognised in the year ended 30 September 2020 as a result of IFRS 16:

	Lease liabilities £'000
Depreciation charge	**603**
Interest expense	**103**
Total cash outflows	**718**

22 Notes to the consolidated statement of cash flows

Cash and cash equivalents

	30 September 2020 £'000	30 September 2019 £'000
Continuing activities		
Cash and cash equivalents	**6,003**	196
Invoice discounting facilities	**-**	(2,629)
	6,003	(2,433)
Discontinued activities		
Cash and cash equivalents	**-**	38
Invoice discounting facilities	**-**	(889)
	-	(851)
Total cash and cash equivalents at end of year	**6,003**	(3,284)
Cash and cash equivalents at beginning of year	**(3,284)**	(6,184)
Increase/(decrease) in cash and cash equivalents from continuing operations	**7,936**	2,721
Increase/(decrease) in cash and cash equivalents from discontinued operations	**1,351**	179
Net increase/(decrease) in cash and cash equivalents	**9,287**	2,900

23 Pensions

The Group operates independently administered defined contribution pension schemes on behalf of certain employees. The schemes have been established for a number of years. The Group has complied with the Auto Enrolment legislation of The Pension Act and employees have been enrolled as the companies have reached their staging dates.

The assets of the 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 schemes for the year. There were no outstanding or prepaid contributions at either the beginning or end of the year.

24 Related party transactions

Key management personnel are defined as being Directors of Servoca Plc. Salaries, pension and benefits totalling £872,000 (2019: £652,000) and employer national insurance contributions of £120,000 (2019: £90,000) were paid in relation to key management personnel. Further information on their remuneration is set out in note 3.

Further information on the Group is available on the Company's web site: www.servoca.com.

SERVOCA Plc
Company statement of financial position
At 30 September 2020 **Company registration number: 02641313**

	Note	30 September 2020 £'000	30 September 2019 £'000
Fixed assets			
Tangible assets	4	**637**	764
Investments	5	**9,807**	9,807
		10,444	10,571
Current assets			
Debtors - due after more than one year	6	**383**	1,444
- due in less than one year	6	**2,643**	754
Cash at bank and in hand		**69**	8
		3,095	2,206
Creditors: amounts falling due within one year	7	**(951)**	(951)
Net current assets		**2,144**	1,255
Total assets less current liabilities		**12,588**	11,826
Creditors: amounts falling due after more than one year	8	**(11,538)**	(10,553)
Net assets		**1,050**	1,273
Capital and reserves			
Called up share capital	9	**1,256**	1,256
Share premium account		**203**	203
Profit and loss account		**(409)**	(186)
Total equity		**1,050**	1,273

As permitted by S408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares group accounts. The Company's loss for the year was £223,000 (2019: loss of £1,181,000).

The financial statements were approved by the Board and authorised for issue on 24 June 2021 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 45 to 51 form part of these financial statements.

SERVOCA Plc
Company statement of changes in equity
At 30 September 2020

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
Balance at 1 October 2018	**1,256**	**203**	**941**	**2,400**
Profit for the year being total comprehensive income for the year	-	-	(1,181)	(1,181)
Transactions with owners				
Share based payment expense	-	-	63	63
Purchase of treasury shares	-	-	(9)	(9)
Total transactions with owners	-	-	(1,127)	(1,127)
Balance at 30 September 2019	**1,256**	**203**	**(186)**	**1,273**
Loss for the year being total comprehensive income for the year	-	-	(223)	(223)
Transactions with owners				
Share based payment expense	-	-	-	-
Purchase of treasury shares	-	-	-	-
Total transactions with owners	-	-	(223)	(223)
At 30 September 2020	**1,256**	**203**	**(409)**	**1,050**

1 General information

Servoca Plc ("the Company") is a Public company limited by shares domiciled and incorporated in England and Wales.
The address of the Company's registered office and principal place of business is Solar House, 1-9 Romford Road, London E15 4LJ.

2 Accounting policies

The following principal accounting policies have been applied:

Basis of accounting

These financial statements of Servoca Plc are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 9.

The Company's principal sources of financing are equity and invoice discounting facilities secured on book debts. The invoice discounting facilities are subject to an annual review with a minimum notice period of six months.

The directors have considered the effect of the ongoing coronavirus pandemic on the Group and Company's financial position. After making enquiries and considering the Group's current trading performance, the directors have prepared trading and cash flow forecasts for the period to 30 September 2022. Given the strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors do not see any material uncertainties that cause concern regarding the Group's ability to trade and as such conclude that the Company is able to continue as a Going Concern.

Reduced disclosure

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosures:

- Section 4 'Statement of Financial Position' – Reconciling the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instruments Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;
- Section 26 'Share Based Payment' – Share based payment expense charged to profit or loss, reconciliation of opening and closing number of weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash settled and share based payments, explanation of modifications to arrangements; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

2 Accounting policies *(continued)*

Investments
Shares in subsidiary undertakings are stated at cost less provision for any impairment in value. Investments are tested for impairment in periods where events or circumstances indicate that the carrying values may not be recoverable.

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value, as follows:

Fixtures, fittings and office equipment	- 10%-25% on cost
Computer equipment	- 25%-33% on a straight line basis
Leasehold improvements	- over the remaining term of lease

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 the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial instruments
The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments', in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets
Group and other debtors
Group, and other debtors (including accrued income) which do not constitute a financing transaction, are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of group and other debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

2 Accounting policies *(continued)*

Financial liabilities and equity
Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade, group and other creditors
Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate Financial Standards and the Group's accounting policies:

- Impairment of investments and inter company debtors. Investments and inter company debtors are 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

Dividends
Equity dividends are recognised either when they are paid or a liability is established by approval of the shareholders.

Leased assets
Operating leases
Annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs
The Parent Company operates defined contribution pension schemes. There is a self-administered scheme for one executive director 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.

2 Accounting policies *(continued)*

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.

3 Employees

	2020	2019
	£'000	£'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**1,559**	1,693
Social security costs	**205**	204
Redundancy costs	**142**	-
Pension contributions	**26**	23
Share-based payments	**-**	63
	1,932	1,983

	2020	2019
	Number	Number
The average monthly number of employees, including directors, during the year was as follows:		
Operations	**4**	4
Financial and administration	**30**	32
	34	36

Details of the remuneration of the directors are provided in note 3 on page 24.

4 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2019	603	250	1,344	2,197
Additions	1	-	44	45
At 30 September 2020	**604**	**250**	**1,388**	**2,242**
Depreciation				
At 1 October 2019	242	132	1,059	1,433
Charge for the year	63	26	83	172
At 30 September 2020	**305**	**158**	**1,142**	**1,605**
Net book value				
At 30 September 2020	**299**	**92**	**246**	**637**
At 30 September 2019	361	118	285	764

5 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2019 and 30 September 2020	**12,655**
Provisions	
At 1 October 2019 and 30 September 2020	**2,848**
Net book value	
At 30 September 2020 and 2019	**9,807**

A list of the main subsidiary companies is disclosed in note 12 to the Group financial statements.

6 Debtors

	30 September 2020 £'000	30 September 2019 £'000
Amounts due within one year:		
Other tax and social security	**1,043**	480
Other debtors	**1,390**	16
Prepayments and accrued income	**210**	258
	2,643	754

	30 September 2020 £'000	30 September 2019 £'000
Amounts due in more than one year:		
Other debtors	**250**	-
Due from group companies (non interest bearing)	**133**	1,444
	383	1,444

The Company has an unrecognised deferred tax asset of £246,000 (2019: £246,000) in respect of capital losses for offset against future capital gains. The asset in respect of capital losses has not been recognised as there is currently not sufficient evidence about available gains in the future.

7 Creditors: amounts falling due within one year

	30 September 2020 £'000	30 September 2019 £'000
Trade creditors	**54**	38
Deferred tax	**32**	47
Other taxation and social security	**67**	88
Other creditors	**326**	271
Accruals and deferred income	**472**	507
	951	951

The Company is part of a group VAT registration and the total group liability at 30 September 2020 was £2,293,000 (2019: £1,004,000).

8 Creditors: amounts falling due after more than one year

	30 September 2020 £'000	30 September 2019 £'000
Amounts due to group companies	**11,538**	10,553

9 Called up share capital

	30 September 2020 Number '000	30 September 2020 £'000	30 September 2019 Number '000	30 September 2019 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256

Movements in the Company's own shares are disclosed in note 18 to the Group financial statements.

Share options
Details of the Company's share option schemes and long term incentive plans are provided in note 18 in the notes forming part of the consolidated financial statements.

The charge to profit and loss in respect of the share based payment transactions during the year is nil (2019: £62,766).

10 Operating leases

The total future minimum lease payments are due as follows:

	30 September 2020 Land and buildings £'000	30 September 2020 Other £'000	30 September 2019 Land and buildings £'000	30 September 2019 Other £'000
Amounts due:				
Not later than one year	**190**	**38**	421	34
Later than one year but less than five years	**710**	**60**	998	43
In more than 5 years	**325**	**-**	431	-
	1,225	**98**	1,850	77

11 Pensions

The Parent Company operates defined contribution independently administered pension schemes on behalf of certain employees. The schemes have been established for a number of years.

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. The contributions paid during the year were £26,000 (2019: £23,000).

12 Related party transactions

The Company has taken advantage of exemptions under FRS102 Section 33 "Related Party Transactions" from disclosing transactions with fellow group companies.