Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2016

SERVOCA Plc
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SERVOCA Plc
Corporate information

Directors

John Foley, ACA, Barrister	Non – Executive Chairman
Andrew Church	Chief Executive Officer
Glenn Swaby, ACA	Chief Financial Officer
Emma Caplan	Non – Executive Director

Company Secretary and Registered Office
Glenn Swaby, ACA
41 Whitcomb Street
London, WC2H 7DT

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent, BR3 4TU

Company Number
02641313

Country of Incorporation
United Kingdom

Nominated Adviser and Broker
FinnCap
60 New Broad Street
London, EC2M 1JJ

Legal Form
Public limited company

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

Independent Auditor
RSM UK Audit LLP
25 Farringdon
London, EC4A 4AB

Financial Public Relations Advisers
Newgate Threadneedle
Skylight City Tower
50 Basinghall Street
London, EC2V 5DE

Introduction

We are pleased to report that for the year ended 30 September 2016 we have delivered another year of significant improvement for the Group. Revenue, gross profit and pre-tax profits all achieved double-digit growth over prior year.

As indicated in our interim statement for the six months ended 31 March 2016, our recruitment businesses have been the driving force behind this growth, with our Healthcare operation performing exceptionally well.

We are particularly pleased with the performance for the period under review as it has been achieved despite challenges in some of our markets. The performance reflects the Group's balanced and diversified source of revenues, which has helped mitigate issues in any one area. The focus of the Group has remained in the supply of people and services that are essential and not discretionary. This focus has helped deliver the resilience evident in our results for the year.

The acquisition of Classic Education was completed towards the end of the financial year. The Board believes the acquisition constitutes an ideal bolt-on to our existing Education recruitment operation and further enhances our UK geographic coverage.

The Group's strong financial performance enables the Board to propose a dividend of 0.35p per share for the year end (2015: 0.3p), an increase of 16.7% over the prior year.

The Board also intends to continue the current policy of buying back the Group's shares, in particular at recent price levels, which the Board thinks fail to fairly represent the value of the company. Our strong balance sheet and operating cash flow enables us to continue to do so for the foreseeable future.

Financial review

Group revenue was £69.2 million compared with £58.8 million (2015), an increase of 17.7%. Gross profit for the year was £18.6 million against £16.9 million (2015), an increase of 10.1%.

Operating profit for the year before share based payment charges, amortisation of intangible assets and exceptional costs was £3.6 million, compared with an operating profit in the prior year of £3.1 million, an increase of 16.1%. The operating profit after share based payment charges, amortisation of intangible assets and exceptional costs was £3.5 million (2015: £2.9 million).

Profit before taxation before share based payment charges, amortisation of intangible assets and exceptional costs was £3.5 million (2015: £3.0 million), an increase of 16.7%. The profit before taxation after share based payment charges, amortisation of intangible assets and exceptional costs was £3.4 million (2015: £2.8 million).

Profit after taxation before share based payment charges, amortisation of intangible assets and exceptional costs was £2.8 million (2015: £2.4 million), an increase of 16.7%. The profit after taxation after share based payment charges, amortisation of intangible assets and exceptional costs was £2.7 million (2015: £2.2 million).

Basic earnings per share before share based payment charges, amortisation of intangible assets and exceptional costs for the year were 2.25p compared with 1.91p (2015), an increase of 17.8%. The basic earnings per share after share based payment charges, amortisation of intangible assets and exceptional costs were 2.15p (2015: 1.76p).

Financial review (continued)
Cash generated from operations in the year was £2.3 million (2015: £2.2 million).

Net debt increased from £2.0 million at September 2015 to £2.4 million at September 2016. This was after paying the initial consideration of £1.2 million in respect of the acquisition of Classic Education Limited, the current deferred consideration of £0.8m in respect of A+ Teachers Limited and the purchase of £0.3m of the Company's own shares now held in treasury.

The dividend of 0.35p per share will be paid on 10 February 2017 to shareholders on the register on 6 January 2017. The associated ex-dividend date is 5 January 2017.

The principal risks and uncertainties facing the Group and Company and the disclosure of key performance indicators are set out in the Report of the Directors on pages 6 to 10.

Operational highlights

Strategy and delivery
The focus in the period has remained the development of the Group's capabilities in those areas that afford good growth opportunities. We would like to thank all of our employees for their excellent contribution to another successful year.

Outsourcing
Our outsourcing activities are primarily based in two areas: Domiciliary Care and Security. Together, these businesses accounted for just over 20% of Group revenues.

Our **Security** business built on a solid first half and increased revenues by 8% and gross profit by 10% over the prior year. The largest single area of growth was from our Events Security division, which delivered a 38% increase in their revenues over prior year. The Events Security business affords higher margin opportunities than traditional Manned Guarding and the growth from this area helped increase the overall gross margin for the business to over 24%.

The majority of our revenues from this area are derived from several high profile football clubs. The heightened level of security threat associated with the current climate is increasing demand for adequate security and stewarding at these events. This demand is also being impacted by cuts to Police budgets, which is placing more emphasis on private security providers replacing any reduction in police resource.

The Manned Guarding and Electronics divisions both secured additional work towards the end of the financial year. These wins give the business visibility on further improvements to profitability.

In our Interim Statement for the six months ended 31 March 2016 we reported that our **Domiciliary Care** business had experienced a reduction in revenues and profitability over the prior year. The second half also lagged behind prior year resulting in a 12% reduction to revenues for the full-year.

Recent statements in the market by larger competitors in this space highlight the on-going problems impacting providers. Suppliers are suffering rising costs of supply (mainly labour) against a well publicised lack of funding.

Outsourcing (continued)

Our Domiciliary Care operation represented circa 10% of Group revenues in the year ended 30 September 2016. Costs continued to be managed tightly in order to secure a profitable contribution from this area and we are focusing our effort on those opportunities that provide sustainable supply arrangements. Our relatively modest scale allows us to do this and we have chosen not to agree to charge rates that we believe cannot generate a return over the medium term. This approach is supported by the fact that demand for social care continues to rise as people live longer and are beset with health conditions and disabilities. The number of people aged over 65 in the UK will rise by more than 40% in the next sixteen years.

Recruitment

Our **Healthcare** recruitment business has enjoyed another fantastic year.

Both our Private Sector and NHS supply have seen significant growth with revenues up 47% and gross profit up 54% over prior year.

Our performance in Healthcare (predominantly the supply of nursing staff) is being helped by a number of factors. The first is the inexorable rise in demand for Healthcare professionals to care for the growing and ageing population, the second is our balance of supply between the private sector and the NHS and the third is our starting point, which reflected relative immaturity of market share.

The above helps explain why, despite the well publicised agency price caps in the NHS, we have still experienced significant growth throughout the year. Our private sector business has gone from strength to strength and generated more gross profit than the NHS supply over the course of the year.

In the NHS, whilst we did experience a drop in run rate margin and hours in April following the final round of price caps, the weekly hours supplied and quantity of margin generated from this supply has continued to increase over the remainder of the year. We are therefore pleased to report that as we enter the next financial year we have increased the volume of weekly hours supplied to the NHS by 25% since April.

Over the course of the second half we have seen margin pressure in the NHS delivery as a consequence of the price caps. This is why our capacity to improve volumes of supply efficiently is, and will prove, important. With this in mind, we have started the process of establishing a low cost support structure offshore that has become operational during the first quarter of the current year. This operation will support our local UK delivery teams in providing an improved 24 hour service to our customers and help substantially increase the volume of candidates we can supply.

The cost base and potential scalability of the offshore operation will give us the opportunity to profitably grow our volumes beyond what could be achieved with a UK support structure alone. The volume of opportunity available to us in the NHS, which we have access to as a consequence of our framework status, is significantly beyond what we are currently able to fulfill. The potential of our offshore operation to efficiently help us generate significantly higher volumes of candidates and business to meet this demand is an exciting prospect. This initiative is being led by experienced management who hold a strong knowledge of the issues involved in the offshore territory and who have delivered the benefits of such an initiative previously. The offshore operation will utilise our existing systems and processes which are already in place to support the growing volumes of business we have established over recent years.

Recruitment (continued)

Our run rate weekly gross profit across the Healthcare recruitment business as a whole finished the year 33% higher than at the start of the period.

Our **Education** business experienced a tougher second half of the year, reflected in the pivotal September period which fell short of expectations. For the full year, revenues were up by 5% but gross profit was down by 2% over prior year.

Following several years of continuous and significant growth, the Education business is faced with a number of challenges. Whilst demand for teachers remains higher than ever, the shortage of candidates is more acute than in recent years and this is constraining supply. The shortage also means schools are more inclined to secure available resource permanently and fee income from permanent introductions do not typically generate as much gross profit as temporary supply. Schools are also struggling with reduced budgets as a consequence of rising costs but static funding.

Whilst the fundamental demand drivers remain strong for this market, we are taking specific steps to position the business for the current climate. We have increased investment in the generation of overseas candidates as the acute shortage of UK trained teacher's shows no signs of abating. Our two recent acquisitions have also evidenced a deliberate and targeted profile. Both businesses were long established suppliers of local "supply" resource, which is more of a "necessity" purchase than alternative forms of introduction. The established nature of their local supply also means these businesses are well positioned to secure preferential access to local schools.

Our **Criminal Justice** business (which supplies former Police Officers and Probation professionals) has enjoyed a very good year. Revenues and gross profit were up by 40% and this helped drive record levels of profitability.

The business continues to benefit from our growing supply into the Probation sector, which accounted for more than half the gross profit generated in the period. We are also pleased to report that, in the final quarter of the year, the business secured a significant contract for the supply of temporary probation staff into a new client.

Outlook

As outlined in the review, the Group enters the current year with positive momentum in all areas other than Education and Domiciliary Care. The scale of this positive momentum enables us to be optimistic about our financial performance in the current year and beyond. We continue to face the future with confidence.

This Review and Strategic Report was approved by the Board of Directors on 19 December 2016 and signed by order of the Board.

John Foley
Non Executive Chairman
19 December 2016

Andrew Church
Chief Executive Officer
19 December 2016

The directors present their report together with the audited financial statements for the year ended 30 September 2016.

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

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

- Revenue: this has increased by 17.7% (2015: increase of 20.0%)
- Gross margin percentage: 26.9% (2015: 28.7%)
- Profit before tax, share based payment charges, amortisation of intangible assets and exceptional costs: £3.5 million (2015: £3.0 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.

Group revenue for the year was £69.23 million (2015: £58.78 million) which produced a gross profit of £18.64 million (2015: £16.86 million). The profit before taxation for the year was £3.41 million after a share based payment charge of £0.06 million, amortisation of intangible assets of £0.05 million and exceptional costs of £0.01 million (2015: £2.83 million after a share based payment charge of £0.08 million, amortisation of intangible assets of £0.05 million and exceptional costs of £0.06).

A dividend of 0.3p per share was paid during the year in respect of the year ended 30 September 2015. A dividend of 0.35p per share will be proposed at the Annual General Meeting on 31 January 2017.

Share capital
The Company acquired 1,149,038 of its own shares in the year for £276,376 (2015: acquired 1,020,103 for £195,343) and transferred 250,000 of its own shares at nominal value (2015: 760,616 for £131,052). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 1,359,138 which represented 1.08% of the called up share capital of the Company (2015: 460,100 representing 0.37%). 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 1,359,138 (2015: 460,100).

Further details of share capital are set out note 18 to the financial statements.

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.

Principal risks and uncertainties (continued)

- 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 17 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.

Directors

The following directors held office since 1 October 2015:

Director		Office held
Bob Morton	Resigned 27 September 2016	Non-Executive Chairman
John Foley		Non-Executive Chairman
Andrew Church		Chief Executive Officer
Glenn Swaby		Chief Financial Officer
Emma Caplan		Non-Executive Director

Directors' remuneration		**2016**		**2015**
Director	**Emoluments and benefits £'000**	**Pension contributions £'000**	**Total £'000**	**Total £'000**
Bob Morton	40	-	40	40
John Foley	30	-	30	30
Andrew Church	409	-	409	433
Glenn Swaby	116	62	178	177
Emma Caplan	20	-	20	20
	615	62	677	700

Interests in shares

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

Director	**30 September 2016 Ordinary shares of 1p each Number**	**1 October 2015 Ordinary shares of 1p each Number**
John Foley	4,895,000	4,895,000
Andrew Church	6,889,413	6,889,413
Glenn Swaby	103,833	103,833
Emma Caplan	6,551,514	6,551,514

Interests in share options and long term incentive plans

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

Director	Exercise price	Date of grant	Date first exercisable	Date of expiry	Ordinary shares of 1p each at 30 September 2016
Glenn Swaby	2.38	25/03/13	See below	25/03/23	1,260,500

The above share options are only exercisable on change of control of the Company.

The mid-market price of the Company's shares on 30 September 2016 was 22.75 pence. The lowest mid-market price during the period from 1 October 2015 to 30 September 2016 was 19.38 pence and the highest mid-market price during the year was 32.5 pence.

Information on directors

John Foley, ACA, Barrister – Non - Executive Chairman

Aged 61, John is a Chartered Accountant and a Barrister. He was formerly Chief Executive of MacLellan Group Plc, a facilities services company that was sold to Interserve plc for an enterprise value of £130m in 2006. John is Chairman of Premier Technical Services Group (PTSG), a publicly quoted provider of specialist facilities services, and holds several Board positions in both public and private companies.

Andrew Church – Chief Executive Officer

Aged 44, Andrew joined as the Group's Chief Executive Officer with effect from 24 November 2008. Andrew was formerly a main board director of Lorien Plc and Managing Director of its resourcing division.

Glenn Swaby, ACA – Chief Financial Officer

Aged 60, Glenn is a Chartered Accountant and has a wealth of experience within the security market and was until July 2007 the financial director of First Security Group Limited, where he played a key role in the development of the company. Glenn took over as Chief Financial Officer from 28 March 2008.

Emma Caplan, Non – Executive Director

Emma, 48, joined the Board on 16 December 2008 as an executive director. Emma was the founding director of Academics Holdings Limited and Academics Limited. Emma had built the business to a revenue approaching £15 million per annum when it was acquired by the Group in March 2008. She became a non-executive director on 15 July 2010.

Substantial shareholders
At 13 December 2016 those shareholders which had notified the Company of a disclosable interest of 3% or more in the share capital of Servoca Plc are set out below:

Holder	Ordinary shares of 1p each	Percentage
Bob Morton	32,407,481	25.81
Groundlinks Limited	16,966,162	13.51
Seraffina Holdings Limited	16,054,659	12.78
Retro Grand Limited	12,540,000	9.99
Andrew Church	6,889,413	5.49
Emma Caplan	6,551,514	5.22
John Foley	4,895,000	3.90

Groundlinks Limited, Seraffina Holdings Limited and Retro Grand Limited are considered to be included in a concert party under the influence of Bob Morton together with the holdings of Hawk Investment Holdings Limited and Southwind Limited. At 13 December 2016, the aggregate holding of the concert party was 79,318,302 shares which represent a holding of 63.85% of the total voting rights in the Company.

Financial instruments
Details of the Group and Company's use of financial instruments and their associated risks are given in note 17 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 by the AIM Rules of the London Stock Exchange 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).

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;

Directors' responsibilities *(continued)*

- 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/Chief Executive Officer Review and Strategic Report on pages 2 to 5 and in the Directors' Report above. In addition note 17 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 prepared trading and cash flow forecasts for the period to 28 February 2018 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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.

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 19 December 2016 and signed by order of the Board.

Glenn Swaby
Company Secretary 19 December 2016

Independent auditor's report on group and parent

To the members of Servoca Plc

We have audited the group and parent company financial statements ("the financial statements") on pages 13 to 53. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

David Clark (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

19 December 2016

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2016

		2016			2015		
	Note	**Before Amortisation, share based payments and exceptional costs £'000**	**Amortisation, share based payments and exceptional costs (see note 7) £'000**	**Total £'000**	Before Amortisation, share based payments and exceptional costs £'000	Amortisation, share based payments and exceptional costs (see note 7) £'000	Total £'000
Continuing operations							
Revenue	2	**69,234**	**-**	**69,234**	58,778	-	58,778
Cost of sales		**(50,593)**	**-**	**(50,593)**	(41,920)	-	(41,920)
Gross profit		**18,641**	**-**	**18,641**	16,858	-	16,858
Administrative expenses		**(15,026)**	**(124)**	**(15,150)**	(13,781)	(186)	(13,967)
Operating profit	6	**3,615**	**(124)**	**3,491**	3,077	(186)	2,891
Finance costs	8	**(77)**	**-**	**(77)**	(59)	-	(59)
Profit before taxation		**3,538**	**(124)**	**3,414**	3,018	(186)	2,832
Tax charge	9	**(740)**	**-**	**(740)**	(625)	-	(625)
Total comprehensive income for the year, net of tax, attributable to owners of the parent		**2,798**	**(124)**	**2,674**	2,393	(186)	2,207
Earnings per share:		**Pence**	**Pence**	**Pence**	Pence	Pence	Pence
- Basic	5	**2.25**	**(0.10)**	**2.15**	1.91	(0.15)	1.76
- Diluted	5	**2.22**	**(0.10)**	**2.12**	1.89	(0.15)	1.74

The notes on pages 17 to 44 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2016

	Note	30 September 2016 £'000	30 September 2015 £'000
Assets			
Non-current assets			
Intangible assets	11	**8,954**	7,814
Property, plant and equipment	12	**829**	737
Deferred tax asset	9	**-**	65
Total non-current assets		**9,783**	8,616
Current assets			
Trade and other receivables	14	**12,842**	11,625
Inventories		**222**	103
Cash and cash equivalents	22	**342**	803
Total current assets		**13,406**	12,531
Total assets		**23,189**	21,147
Liabilities			
Current liabilities			
Trade and other payables	15	**(5,266)**	(6,368)
Corporation tax payable		**(1,127)**	(763)
Other financial liabilities	16	**(2,745)**	(1,982)
Total current liabilities		**(9,138)**	(9,113)
Non current liabilities			
Deferred consideration		**-**	(70)
Total liabilities		**(9,138)**	(9,183)
Total net assets		**14,051**	11,964
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		**22,089**	20,002
Total equity		**14,051**	11,964

The financial statements were approved by the Board and authorised for issue on 19 December 2016 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 17 to 44 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2014 attributable to equity owners of the parent	1,256	202	2,772	(12,268)	17,779	**9,741**
Profit for the year being total comprehensive profit for the year	-	-	-	-	2,207	**2,207**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	80	**80**
Net purchase of treasury shares (note 18)	-	-	-	-	(64)	**(64)**
Total transactions with owners	-	-	-	-	16	**16**
Balance as at 30 September 2015 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**20,002**	**11,964**
Profit for the year being total comprehensive profit for the year	-	-	-	-	2,674	**2,674**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	63	**63**
Dividend paid	-	-	-	-	(374)	**(374)**
Net purchase of treasury shares (note 18)	-	-	-	-	(276)	**(276)**
Total transactions with owners	-	-	-	-	2,087	**2,087**
Balance as at 30 September 2016 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**22,089**	**14,051**

The notes on pages 17 to 44 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Profit before tax		**3,414**	2,832
Non cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**381**	303
Share based payments		**63**	80
Finance costs		**77**	59
Decrease in provisions		**-**	13
(Increase)/decrease in inventories		**(119)**	40
Increase in trade and other receivables		**(882)**	(1,406)
(Decrease)/increase in trade and other payables		**(613)**	319
Cash generated from operations		**2,321**	2,240
Corporation tax paid		**(466)**	(156)
Cash flows from operating activities		**1,855**	2,084
Investing activities			
Acquisitions, net of cash acquired	20	**(1,123)**	(86)
Deferred consideration paid		**(805)**	-
Purchase of property, plant and equipment		**(424)**	(335)
Purchase of intangible assets		**-**	(92)
Net cash flows from investing activities		**(2,352)**	(513)
Financing activities			
Interest paid		**(77)**	(59)
Dividend paid		**(374)**	-
Net purchase of shares held in treasury		**(276)**	(64)
Net cash flows from financing activities		**(727)**	(123)
(Decrease)/increase in cash and cash equivalents	22	**(1,224)**	1,448
Cash and cash equivalents at beginning of the year	22	**(1,179)**	(2,627)
Cash and cash equivalents at end of the year	22	**(2,403)**	(1,179)

The notes on pages 17 to 44 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is an AIM quoted Plc incorporated and domiciled in the United Kingdom. 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 2016 and the comparative figures represent a twelve month period to 30 September 2015.

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/Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 10. In addition note 17 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 prepared trading and cash flow forecasts for the period to 31 December 2017 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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 11.

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

Significant judgements and estimates ***(continued)***

- 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 14.
- 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, there have been no Standards and Interpretations that have become effective during the year that have a material impact on the Group.

Standards effective in future periods

At the date of approval of these financial statements, the following Standards and Interpretations, in issue but not yet effective, have not been adopted in these financial statements:

- Amendments to IAS 1: Disclosure initiative (effective for periods commencing 1 January 2016).
- Amendments to IFRS 10, IFRS 12 and IAS 29: Investment entities: Applying the Consolidation Exception (effective for periods commencing 1 January 2016).
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for periods commencing 1 January 2016).
- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for periods commencing 1 January 2017).
- Amendments to IAS 7: Disclosure Initiatives (effective for periods commencing 1 January 2017).
- IFRS 15: Revenue from Contracts with Customers (effective for periods commencing 1 January 2018).
- IFRS 9: Financial Instruments (effective for periods commencing 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for periods commencing 1 January 2018).
- IFRS 16: Leases (effective for periods commencing 1 January 2019).

There were no Standards or Interpretations which were in issue but not effective at the date of authorisation of these financial statements, including the above, that the Directors anticipate will have a material impact on the financial statements of the Group or the Company.

Basis of consolidation

The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2016. 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.

1 Accounting policies *(continued)*

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.

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.

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.

1 Accounting policies *(continued)*

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their 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.

The significant intangibles recognised by the Group represent licences and customer relationships which are amortised over their estimated useful lives at the following rates:

Licences	-	20% on a straight line basis or over period of licence
Customer relationships	-	between 4 and 10 years on a straight line basis

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	-	either 25% on a reducing balance basis or 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

Inventories

Inventories are goods held for resale and installation and are valued at the lower of historical cost and net realisable value on a first in first out basis.

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.

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.

1 Accounting policies *(continued)*

Deferred taxation *(continued)*

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

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

Financial instruments

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

Financial assets

The 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.

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.

1 Accounting policies *(continued)*

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.

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 Segmental analysis

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

The Outsourcing segment provides services to the Domiciliary Care and Security sectors.

The Recruitment segment provides recruitment services to the Healthcare, Education and Police sectors.

	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the year ended 30 September 2016:				
Revenue	14,786	54,448	-	**69,234**
Segment expense	(14,646)	(49,658)	(1,315)	**(65,619)**
Amortisation, share based payment expense and exceptional costs	(52)	(40)	(32)	**(124)**
Operating profit/(loss)	88	4,750	(1,347)	**3,491**
Finance costs	(23)	(54)	-	**(77)**
Profit/(loss) before tax	65	4,696	(1,347)[1]	**3,414**
Statement of financial position				
Assets	5,904	16,478	807	**23,189**
Liabilities	(2,907)	(5,721)	(510)	**(9,138)**
Net assets	2,997	10,757	297	**14,051**
Other				
Capital expenditure	63	1,245	305	**1,613**
Depreciation	144	81	108	**333**
Amortisation	42	6	-	**48**

The majority 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.

Included in the outsourcing revenue for the year is £978,000 (2015: £1,032,000) of revenue from the sale of electronic security products.

2 Segmental analysis *(continued)*

	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the year ended 30 September 2015:				
Revenue	15,201	43,577	-	58,778
Segment expense	(15,084)	(39,406)	(1,211)	(55,701)
Amortisation, share based payment expense and exceptional costs	(60)	(94)	(32)	(186)
Operating profit/(loss)	57	4,077	(1,243)	2,891
Finance costs	(16)	(43)	-	(59)
Profit/(loss) before tax	41	4,034	(1,243)[1]	2,832
Statement of financial position				
Assets	5,161	15,345	641	21,147
Liabilities	(1,712)	(6,870)	(601)	(9,183)
Net assets	3,449	8,475	40	11,964
Other				
Capital expenditure	302	1,183	68	1,553
Depreciation	111	67	77	255
Amortisation	42	6	-	48

[1] The profit for each operating segment does not include holding company director costs, group legal costs, central share based payment charges or a share of central property costs.

3 Employees

	2016 £'000	2015 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**8,900**	8,309
Social security costs	**920**	875
Redundancy costs	**59**	32
Pension contributions	**152**	106
Share-based payments	**63**	80
	10,094	9,402
The average monthly number of employees, including directors, during the year was as follows:	**Number**	Number
Operations	**48**	41
Sales	**162**	146
Financial and administration	**31**	29
	241	216

4 Directors' remuneration

Total remuneration was as follows:	**2016**	2015
	£'000	£'000
Salaries and benefits	**615**	651
Share based payments	**15**	15
Pension contributions	**62**	49
	692	715
Salary and benefits of the highest paid director:		
Salaries and benefits	**409**	433
Share based payments	**-**	-
Pension contributions	**-**	-
	409	433

The Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £40,000 (2015: £40,000) were made to Hawk Consulting Limited in the year for services rendered and are included in salaries and benefits in the above table.

During the year, one director had benefits accruing under defined contribution pension schemes (year ended 30 September 2015: one).

Emoluments analysed by director are summarised in the Report of the directors on page 6.

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

	2016 Number '000	2015 Number '000
At the beginning and end of the year	**1,261**	1,261

5 Earnings per share

The calculation of earnings per share for the year ended 30 September 2016 is based on a weighted average number of shares in issue during the year of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
30 September 2016	**124,509,189**	**1,834,340**	**126,343,529**
30 September 2015	125,282,960	1,856,072	127,139,032

Basic earnings per share are calculated by dividing the net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share are calculated by dividing the net profit attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. Share options totalling 150,000 that could potentially dilute basic earnings per share in the future have not been included in the calculation of diluted earnings per share because they are antidilutive for the periods presented. See note 18 for details of share options.

Additional disclosure is also given in respect of adjusted earnings per share before amortisation of intangible assets, share based payments and exceptional costs as the directors believe this gives a more accurate presentation of maintainable earnings.

Year ended 30 September 2016	**Basic £'000**	**Diluted £'000**
Profit for the year	**2,674**	**2,674**
Amortisation, share based payment expense and exceptional costs:		
Amortisation of intangible assets	**47**	**47**
Share based payment expense	**63**	**63**
Exceptional costs	**14**	**14**
Profit before amortisation, share based payments and exceptional costs	**2,798**	**2,798**

	Pence	**Pence**
Earnings per share	**2.15**	**2.12**
Amortisation, share based payment expense and exceptional costs:		
Amortisation of intangible assets	**0.04**	**0.04**
Share based payment expense	**0.05**	**0.05**
Exceptional costs	**0.01**	**0.01**
Adjusted earnings per share before amortisation, share based payments and exceptional costs	**2.25**	**2.22**

5 Earnings per share *(continued)*

Year ended 30 September 2015	Basic £'000	Diluted £'000
Profit for the year	2,207	2,207
Amortisation, share based payment expense and exceptional costs:		
Amortisation of intangible assets	48	48
Share based payment expense	80	80
Exceptional costs	58	58
Profit before amortisation, share based payments and exceptional costs	2,393	2,393

	Pence	Pence
Earnings per share	1.76	1.74
Amortisation, share based payment expense and exceptional costs:		
Amortisation of intangible assets	0.04	0.04
Share based payment expense	0.06	0.06
Exceptional costs	0.05	0.05
Adjusted earnings per share before amortisation, share based payments and exceptional costs	1.91	1.89

6 Operating profit

	2016 £'000	2015 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**334**	255
Amortisation of intangible assets	**47**	48
Share based payment expense	**63**	80
Operating lease rentals:		
- land and buildings	**591**	501
- other	**194**	191
Remuneration to auditor:		
- Audit of the Company's financial statements pursuant to legislation	**21**	20
- Audit of the subsidiaries' financial statements pursuant to legislation	**49**	40
- Other taxation compliance services	**15**	12

6 Operating profit *(continued)*

Analysis of expenses by nature	**2016 £'000**	2015 £'000
Direct cost of temporary placements	**49,976**	41,263
Staff costs	**10,094**	9,402
Cost of inventory	**617**	657
Depreciation and amortisation	**380**	303
Property costs	**1,315**	1,135
Others	**3,438**	3,186
	65,820	55,946

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

7 Amortisation, share based payments and exceptional costs

	2016 £'000	2015 £'000
Amortisation of intangible assets	**47**	48
Share based payments	**63**	80
Exceptional costs: costs of acquisitions	**14**	58
	124	186

8 Finance costs

	2016 £'000	2015 £'000
Invoice discounting facilities	**77**	59

9 Taxation

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

	2016 £'000	2015 £'000
Current income tax		
Current year charge	**720**	631
Adjustment in respect of earlier years	**(45)**	(2)
	675	629
Deferred tax		
Origination and reversal of temporary differences	**12**	(4)
Adjustment in respect of earlier years	**53**	-
	65	(4)
Income tax charge	**740**	625

9 Taxation *(continued)*

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 2016 and 2015 is as follows:

	2016 £'000	2015 £'000
Profit before taxation	**3,414**	2,832
Profit before taxation multiplied by the average rate of corporation tax in the UK of 20.0% (2015: 20.0%)	**683**	566
Expenses not deductible for tax purposes	**35**	59
Temporary differences not recognised for tax	**14**	2
Adjustment in respect of earlier years	**8**	(2)
Total tax charge reported in the consolidated statement of comprehensive income	**740**	625

c) Deferred tax

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

	2016 £'000	2015 £'000
As at 1 October	**65**	61
Decelerated capital allowances:		
Movement in respect of current year	**(12)**	4
Movement in respect of prior years	**(53)**	-
As at 30 September	**-**	65

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:

	2016 £'000	2015 £'000
Capital losses for offset against future capital gains	**1,876**	1,876

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

10 Dividends

A dividend of 0.3p per ordinary share was paid during the year and a dividend of 0.35p will be proposed at the Annual General Meeting on 31 January 2017.

11 Intangible assets

	Goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
Cost				
Balance at 30 September 2014	**14,735**	**347**	**294**	**15,376**
Additions in year	-	41	-	41
On acquisition	1,134	-	-	1,134
Balance as at 30 September 2015	**15,869**	**388**	**294**	**16,551**
On acquisition	1,187	-	-	1,187
Balance as at 30 September 2016	**17,056**	**388**	**294**	**17,738**
Accumulated amortisation and impairment				
Balance at 1 October 2014	**8,279**	**136**	**274**	**8,689**
Amortisation for the year	-	42	6	48
Balance at 1 October 2015	**8,279**	**178**	**280**	**8,737**
Amortisation for the year	-	42	5	47
Balance at 30 September 2016	**8,279**	**220**	**285**	**8,784**
Net book value				
At 30 September 2014	6,456	211	20	6,687
At 30 September 2015	7,590	210	14	7,814
At 30 September 2016	**8,777**	**168**	**9**	**8,954**

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

	30 September 2016 £'000	30 September 2015 £'000
A-Day Consultants Limited	**5,334**	5,334
A+ Teachers Limited	**961**	961
Classic Education Limited (note 20)	**1,187**	-
Others	**1,295**	1,295
	8,777	7,590

11 Intangible assets (continued)

Goodwill (continued)

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 2017 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 2017. These have been prepared based on management's past experience taking into account future expectations. Management believe that these forecasts are reasonably achievable;

- The revenue growth estimates for future years are extrapolated at 5% (2015: 5%) per annum for the first year and between 2% and 5% thereafter (2015: 2% to 5%). This is based on the Group's estimate of the long term growth rate of the recruitment sector based on management's experience of the sector;

- 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 12.2% (2015: 14.4%).

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 further impairment.

12 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost					
Balance at 1 October 2014	**209**	**13**	**333**	**2,009**	**2,564**
Additions	11	-	21	303	335
Acquired on acquisition	-	-	-	2	2
Disposals	-	-	(3)	(1,096)	(1,099)
Balance at 1 October 2015	220	13	351	1,218	1,802
Additions	202	3	68	151	424
Acquired on acquisition	-	-	2	-	2
Balance at 30 September 2016	**422**	**16**	**421**	**1,369**	**2,228**
Accumulated depreciation					
Balance at 1 October 2014	**208**	**12**	**241**	**1,445**	**1,906**
Depreciation charge for the year	3	-	27	225	255
Disposals	-	-	(3)	(1,093)	(1,096)
Balance at 1 October 2015	211	12	265	577	1,065
Depreciation charge for the year	28	1	28	277	334
Balance at 30 September 2016	**239**	**13**	**293**	**854**	**1,399**
Net book value					
At 30 September 2014	1	1	92	564	658
At 30 September 2015	9	1	86	641	737
At 30 September 2016	**183**	**3**	**128**	**515**	**829**

13 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
Servoca Secure Solutions Limited	England and Wales	100%	Security manned guarding
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
Yorkshire and Humberside Teacher Agency Limited*	England and Wales	100%	Dormant
A+ Teachers Limited*	England and Wales	100%	Staffing and recruitment
Classic Education Limited*	England and Wales	100%	Staffing and recruitment

*Undertaking held indirectly by Parent Company.

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.

14 Trade and other receivables

	30 September 2016 £'000	30 September 2015 £'000
Due in less than one year:		
Trade receivables	**10,242**	9,867
Less: Provision for impairment of trade receivables	**(315)**	(315)
Trade receivables net	**9,927**	9,552
Other receivables	**109**	104
Prepayments and accrued income	**2,806**	1,969
	12,842	11,625

14 Trade and other receivables *(continued)*

	30 September 2016 £'000	30 September 2015 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**11,407**	10,678
Cash and cash equivalents	**342**	803
Total financial assets classified as loans and receivables	**11,749**	11,481

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 2016, trade receivables of £315,000 (30 September 2015: £315,000) were impaired and fully provided for.

At 30 September 2016 the analysis of trade receivables is:

	Total	**Neither past due nor impaired**	**Past due or impaired**			
			31-60 days	**60-90 days**	**90-120 days**	**120+ days**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade receivables	10,242	5,952	1,650	1,344	526	770
Provision	(315)	-	-	-	-	(315)
	9,927	5,952	1,650	1,344	526	455

At 30 September 2015 the analysis of trade receivables was:

	Total	Neither past due nor impaired	Past due or impaired			
			31-60 days	60-90 days	90-120 days	120+ days
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	9,867	6,507	1,523	889	391	557
Provision	(315)	-	-	-	-	(315)
	9,552	6,507	1,523	889	391	242

14 Trade and other receivables *(continued)*

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

	30 September 2016 £'000	30 September 2015 £'000
At beginning of the year	**315**	209
Provided during the year	**-**	106
At end of the year	**315**	315

The movements on the provision during the year 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.

15 Trade and other payables

	30 September 2016 £'000	30 September 2015 £'000
Trade payables	**1,116**	996
Other taxation and social security	**1,152**	1,335
Deferred consideration	**90**	805
Other payables	**733**	1,043
Accruals and deferred income	**2,175**	2,189
	5,266	6,368

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

16 Other financial liabilities - current

	30 September 2016 £'000	30 September 2015 £'000
Invoice discounting facility	**2,745**	1,982

Invoice discounting facilities of £2,745,000 (2015: £1,982,000) are secured by a charge over the borrowing company's book debts. Interest during the year is payable on these 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.

17 Financial instruments

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

- Credit risk
- Cash flow interest rate risk
- Liquidity risk

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

In common with 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.

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

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

Credit risk

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

17 Financial instruments *(continued)*

Credit risk *(continued)*

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 14.

Interest rate risk

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

The Group's only significant borrowings are at floating rates. The rates are monitored along with the Group's exposure and appropriate measures are taken to ensure that a balanced mix is maintained. It is the Group's objective to fund the working capital requirements by means of invoice discounting facilities.

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.

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

	Floating rate borrowings £'000
At 30 September 2016	
Invoice discounting facility	**2,745**
At 30 September 2015	
Invoice discounting facility	1,982

The floating rate borrowings bear interest at a commercial rate above the bank's base rate and all the Group's borrowings are in sterling.

At 30 September 2016, if interest rates on the above floating rate borrowings had been 2% (2015: 2%) higher or lower with all other variables held constant, profit after tax for the period would have been £113,000 (2015: £61,000) lower or higher. There would be the same effect on equity.

The directors consider that 2% (2015: 2%) is the maximum likely change to Sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

17 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 45 days.

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

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	**Due in more than 1 year £'000**	**Total £'000**
Trade and other payables	**4,033**	**-**	**4,033**
Invoice discounting facilities	**2,745**	**-**	**2,745**
At 30 September 2016	**6,778**	**-**	**6,778**

	Due in less than 1 year £'000	Due in more than 1 year £'000	Total £'000
Trade and other payables	5,020	70	5,090
Invoice discounting facilities	1,982	-	1,982
At 30 September 2015	7,002	70	7,072

17 Financial instruments *(continued)*

Undrawn facilities

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

	30 September 2016 £'000	30 September 2015 £'000
Expiring within one year	**3,426**	3,691

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.

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

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

18 Called up share capital

	30 September 2016 Number '000	**30 September 2016 £'000**	30 September 2015 Number '000	30 September 2015 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256

The Company acquired 1,149,038 of its own shares in the year for £276,376 (2015: acquired 1,020,103 for £195,343) and transferred 250,000 of its own shares at nominal value (2015: 760,616 for £131,052). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 1,359,138 which represented 1.08% of the called up share capital of the Company (2015: 460,100 representing 0.37%). 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 1,359,138 (2015: 460,100).

18 Called up share capital *(continued)*

Share options

At 30 September 2016 and 2015 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
7	40.0p	01/12/07	01/12/10	30/11/17	100,000
1	31.5p	31/03/08	31/03/11	30/03/18	50,000
1	10.0p	31/03/08	31/03/11	30/03/18	116,279
1	12.5p	07/07/09	31/03/11	20/07/19	116,279
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
					2,383,058

The options issued on 12 October 2011, 25 March 2013 and 26 February 2014 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:	**2016 Number**	2015 Number
Outstanding at beginning of year	**2,383,058**	3,308,058
Lapsed	**-**	(925,000)
Outstanding at end of year	**2,383,058**	2,383,058
Exercisable at end of year	**382,558**	382,558

The weighted average exercise price of the share options outstanding at the year end is 6.6p (2015: 6.6p) and the weighted average contractual life of the options outstanding at the end of the year is 5.7 years (2015: 6.6 years).

Details of parent company share option schemes.

The options fall into 6 groups for valuation with exercise prices varying between 2.38p and 40p each:

Group 1 – 1,200,000 options granted 1 December 2007
The fair value of the options was 17p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.66%, the average term of 5 years, share price at time of granting of 45p and volatility of 26.72%.

Group 2 – 150,000 options granted 31 March 2008
Management estimated the fair value of the options to be 10p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

18 Called up share capital *(continued)*
Share options *(continued)*
Group 3 – 348,837 options granted 31 March 2008
The fair value of the options was 23p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 4 – 1,675,000 options granted 19 July 2008
These options have all lapsed.

Group 5 – 348,837 options granted 13 July 2009
The fair value of the options was 4p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.09%, the average term of 5 years, share price at time of granting of 13p and volatility of 30.1%.

Group 6 – 868,500 options granted 12 October 2011, 1,260,500 options granted 25 March 2013 and 250,000 options granted 26 February 2014
The fair values of the options were between 2p and 8p per option at the date of grant. The value of these options was determined by managements' best estimates with reference to expected leavers and share price at the year end. 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, 2.38p for those granted in March 2013 and 8p for those granted in February 2014.

The assumptions in respect of the options granted in groups 1 to 6 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 and F 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 for the share based payment transactions during the year is as follows:

	30 September 2016 £'000	30 September 2015 £'000
Expense arising from share based payment transactions:		
– share option schemes	**63**	80
Recognised through retained earnings	**63**	80

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 30 June 2016, the Group acquired the entire issued share capital of Classic Education Limited for a total consideration of £1.72 million, satisfied in full by a cash consideration of £1.72 million on completion. In addition, a further £1.1 million of contingent consideration is payable dependant on Classic Education Limited achieving certain levels of gross margin in the two years to 30 June 2018. There is potentially further cash consideration to a maximum of £0.8m payable should the results for year 2 exceed the target for that year. 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.

Classic Education Limited is an education recruitment company operating in Kent which will enhance the Group’s geographical coverage.

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

	£’000	£’000
Tangible fixed assets	**2**	
Trade and other receivables	**335**	
Cash	**594**	
Corporation tax	**(155)**	
Trade and other payables	**(246)**	
Net assets		**530**
Consideration		
Cash on completion		**1,717**
Goodwill		**1,187**

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 £388,000 and a profit before tax of £56,000 in respect of Classic Education since its acquisition.

20 Acquisitions *(continued)*

Prior to acquisition by Servoca, Classic Education had a year end of 31 March. In the year ended 31 March 2016 it had revenues of £3,089,000 and a net profit after taxation of £474,000.

Had the Group acquired Classic Education on 1 October 2015, the revenue that Classic Education would have contributed to the Group would have been £2,953,000 with a profit before taxation of £473,000.

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

	Cash consideration paid £'000	Cash acquired £'000	Total £'000
Classic Education Limited	**1,717**	**(594)**	**1,123**

21 Operating leases

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

The future minimum lease payments are due as follows:

	30 September 2016 Land and buildings £'000	**30 September 2016 Other £'000**	30 September 2015 Land and buildings £'000	30 September 2015 Other £'000
Not later than one year	**371**	**93**	697	93
Later than one year but not later than five years	**685**	**71**	225	122
	1,056	**164**	922	215

22 Notes to the consolidated statement of cash flows

a) Cash and cash equivalents

	30 September 2016 £'000	30 September 2015 £'000
Cash available on demand	**342**	803
Invoice discounting facilities	**(2,745)**	(1,982)
	(2,403)	(1,179)
Cash and cash equivalents at beginning of year	**(1,179)**	(2,627)
Net (decrease)/ increase in cash and cash equivalents	**(1,224)**	1,448

22 Notes to the consolidated statement of cash flows *(continued)*

b) Analysis of net debt

2016	As at 1 October 2015 £'000	Cash flow £'000	Non cash movement £'000	**As at 30 September 2016 £'000**
Cash and cash equivalents	(1,179)	(1,224)	-	**(2,403)**
Current deferred consideration	(805)	805	-	**-**
	(1,984)	(419)	-	**(2,403)**

2015	As at 1 October 2014 £'000	Cash flow £'000	Non cash movement £'000	As at 30 September 2015 £'000
Cash and cash equivalents	(2,627)	1,448	-	(1,179)
Current deferred consideration	-	-	(805)	(805)
	(2,627)	1,448	(805)	(1,984)

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. Information on their remuneration is set out in note 4. In addition to the remuneration disclosed in note 4, employer's National Insurance of £72,000 (2015: £80,000) was paid in relation to key management personnel.

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

SERVOCA Plc

Parent statement of financial position

At 30 September 2016 **Company registration number: 02641313**

	Note	30 September 2016 £'000	30 September 2015 £'000
Fixed assets			
Tangible assets	3	**374**	177
Investments	4	**9,807**	9,807
		10,181	9,984
Current assets			
Debtors - due after more than one year	5	**2,937**	3,440
- due in less than one year	5	**706**	725
Deferred tax asset		**-**	37
Cash at bank and in hand		**47**	12
		3,690	4,214
Creditors: amounts falling due within one year	6	**(859)**	(976)
Net current assets		**2,831**	3,238
Total assets less current liabilities		**13,012**	13,222
Creditors: amounts falling due after more than one year	7	**(4,154)**	(3,813)
Net assets		**8,858**	9,409
Capital and reserves			
Called up share capital	8	**1,256**	1,256
Share premium account		**203**	203
Profit and loss account		**7,399**	7,950
Total equity		**8,858**	9,409

The financial statements were approved by the Board and authorised for issue on 19 December 2016 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 47 to 53 form part of these financial statements.

SERVOCA Plc
Parent statement of changes in equity
At 30 September 2016

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
Balance at 1 October 2014	**1,256**	**203**	**6,885**	**8,344**
Profit for the year being total comprehensive income for the year	-	-	1,049	1,049
Transactions with owners				
Share based payment expense	-	-	80	80
Purchase of treasury shares	-	-	(64)	(64)
Balance at 30 September 2015	**1,256**	**203**	**7,950**	**9,409**
Profit for the year being total comprehensive income for the year	-	-	36	36
Transactions with owners				
Share based payment expense	-	-	63	63
Dividend paid	-	-	(374)	(374)
Purchase of treasury shares	-	-	(276)	(276)
At 30 September 2016	**1,256**	**203**	**7,399**	**8,858**

1 General information

Servoca Plc ("the Company") is a company limited by shares domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is 41 Whitcomb Street, London WC2H 7DT.

2 Accounting policies

The following principal accounting policies have been applied:

Basis of accounting

First time adoption of FRS 102

These financial statements are the first financial statements of Servoca Plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of Servoca Plc for the year ended 30 September 2015 were prepared in accordance with previous United Kingdom Generally Accepted Accounting Practice.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of the following exemption from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS':

There are no adjustments to comparative figures as a result of the transition to FRS 102.

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.

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.

2 Accounting policies *(continued)*

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	- either 25% on a reducing balance basis or 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 are receivable within one year and 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 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2015	223	62	927	1,212
Additions	199	59	47	305
At 30 September 2016	**422**	**121**	**974**	**1,517**
Depreciation				
At 1 October 2015	220	59	756	1,035
Charge for the year	25	8	75	108
At 30 September 2016	**245**	**67**	**831**	**1,143**
Net book value				
At 30 September 2016	**177**	**54**	**143**	**374**
At 30 September 2015	3	3	171	177

4 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2015 and 30 September 2016	**12,655**
Provisions	
At 1 October 2015 and 30 September 2016	**2,848**
Net book value	
At 30 September 2016	**9,807**
At 30 September 2015	9,807

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

	30 September 2016 £'000	30 September 2015 £'000
SN&C Holdings Limited	**350**	350
Servoca Resourcing Solutions Limited	**2,180**	2,180
A-Day Consultants Limited	**7,277**	7,277
	9,807	9,807

A list of the main subsidiary companies is disclosed in note 13 to the group financial statements. Those subsidiaries listed in the note 13 and not above are either held indirectly or have no cost of investment.

5 Debtors

	30 September 2016 £'000	30 September 2015 £'000
Amounts due within one year:		
Other tax and social security	**356**	312
Other debtors	**40**	62
Prepayments and accrued income	**310**	351
	706	725
Amounts due in more than one year:		
Due from group companies	**2,937**	3,440
	3,643	4,165

The Company has a recognised deferred tax asset of £nil (2015: £37,000) in respect of unclaimed capital allowances carried forward and an unrecognised deferred tax asset of £289,000 (2015: £289,000) 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.

6 Creditors: amounts falling due within one year

	30 September 2016 £'000	30 September 2015 £'000
Trade creditors	**365**	276
Corporation tax	**51**	218
Other taxation and social security	**50**	47
Other creditors	**38**	16
Accruals and deferred income	**355**	419
	859	976

The Company is part of a group VAT registration and the total group liability at 30 September 2016 was £604,000 (2015: £833,000).

7 Creditors: amounts falling due after more than one year

	30 September 2016 £'000	30 September 2015 £'000
Amounts due to group companies	**4,154**	3,813

8 Called up share capital

	30 September 2016 Number '000	30 September 2016 £'000	30 September 2015 Number '000	30 September 2015 £'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 as follows:

	30 September 2016 £'000	30 September 2015 £'000
Expense arising from share based payment transactions		
– share option schemes	**63**	80
Recognised in retained earnings	**63**	80

9 Operating leases

The total future minimum lease payments are due as follows:

	30 September 2016 Land and buildings £'000	**30 September 2016 Other £'000**	30 September 2015 Land and buildings £'000	30 September 2015 Other £'000
Amounts due:				
Not later than one year	**166**	**25**	193	20
Later than one year but not later than five years	**500**	**25**	32	37
	666	**50**	125	57

10 Parent company results

The Company has taken advantage of the exemption under S408 of the Companies Act 2006 from presenting it own profit and loss. The Parent Company's own result for the year was a profit after taxation of £36,000 (2015: profit of £1,049,000).

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 £73,000 (2015: £106,000).

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.

13 Directors' remuneration

Details of the remuneration of the Parent Company's directors are provided in the Report of the Directors on pages 6 to 10.