Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2018

SERVOCA Plc
Contents

SERVOCA Plc
Corporate information

Directors

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

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

Company Number
02641313

Country of Incorporation
United Kingdom

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

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

For the period under review, I am pleased to report that, despite some ongoing challenges within some of our trading environments, the Group reported another rise in revenues and gross profit from its continuing operations over the prior year.

Financial review

Group revenue was £74.9m compared with £71.5m in 2017, an increase of 4.7%.

Gross profit for the year was £17.8m compared with £17.7m in 2017.

Adjusted EBITDA* decreased to £3.7m from £4.0m in 2017.

Adjusted profit before taxation* was £3.3m from £3.7m in 2017.

Exceptional reorganisation costs of £1.1m were incurred in the year.

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

Exceptional reorganisation costs

During the year, the Group incurred exceptional reorganisation costs of £1.1m, £0.6m of which related to the relocation of the finance and administrative functions and £0.4m was in respect of vacant property which we are in the process of sub-letting.

Net debt

Net debt at 30 September 2018 was impacted by the relocation of the finance function which was implemented between September 2018 and December 2018. The cash costs of the relocation were £0.5m on which we estimate a payback of approximately 2 years. We also experienced reduced collections as the London team handed over to Manchester. This was quickly reversed with net debt levels currently £2m lower than at the year-end. We expect to see this fall further by 30 September 2019.

In addition, during the year we incurred £1.2m in acquisition related payments as part of our targeted acquisition strategy.

Operational Highlights

In May 2018, the Company took the decision to delist from the AIM market. Since delisting, the Board has decided to accelerate key strategic changes to the Group's operations, since it believes that the Group will deliver greater value for shareholders in the future by focussing on its core Recruitment businesses. Our position in these respective markets is much more significant and we believe management can drive greater growth by developing the areas in which the Group is already strong. The Board has therefore agreed terms for the sale of its Security business to a third party and, as an asset held for sale, is now reported on as a discontinued operation.

During the period, the Group also took the opportunity to relocate its Finance function from London to Manchester. This has enabled the Group to centralise the majority of its back office operations in one location (the Group's HR function is also located there), access a high quality pool of finance professionals and generate cost savings. We believe this move will provide an improved platform to help support the Group in its future growth requirements. Alongside deferred consideration payments on a previous acquisition, this initiative generated the majority of exceptional costs for the year which are reflected in our financial statements.

In our continued drive to strengthen the Group's Education recruitment activities, where we are already positioned as a leading supplier in the UK, we completed another bolt on acquisition in the final month of the period. The acquisition strengthens our market presence in the West Midlands and is now trading successfully under our Academics brand. This acquisition is in line with our strategy to grow our Recruitment operations and build out our position within this market.

The focus for the Group is now firmly on generating a platform for substantial growth in adjusted EBITDA. During the period we have continued to invest in new teams, management and branch openings within both the Education and Health and Social Care markets. This investment is reflected in the increase in overheads for the Group over prior year of circa (£0.45m). Both of these areas delivered an increase in gross profit over prior year but the investments, together with a fall in revenues and gross profit within our NHS Healthcare Recruitment business, combined to reduce adjusted EBITDA from continuing operations from £4.0m to £3.7m.

The performance from our NHS recruitment operations was impacted in the second half by the introduction of new rules regarding the use of personal service companies in the public sector. This led to some market disruption which we are now pleased to report has settled down.

We look forward to building on the Group's core strengths within the Education and Health and Social Care recruitment markets as we seek to build market share in these areas. Whilst budget constraints in these areas remain, the positive macro economic factors continue to drive necessity of demand, and in general a shortage of supply. We are benefitting from the attraction and retention of employees with a proven track record in these markets and we will continue to make this investment for future benefit.

Andrew Church
Chief Executive Officer
25 June 2019

The directors present their report together with the audited financial statements for the year ended 30 September 2018.

Principal activities
The principal activities of the Group during the period were 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.

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

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

- Revenue: this has increased by 4.7% (2017: increase of 15.9%)
- Gross margin percentage: 23.7% (2017: 24.7%)
- Profit before tax, exceptional reorganisation costs, share based payment charges, amortisation of intangible assets and contingent consideration: £3.3 million (2017: £3.7 million).

Trading review, results and dividends
The consolidated statement of comprehensive income is set out on page 10 and shows the results for the year.

Continuing operations
Group revenue for the year was £74.9 million (2017: £71.5 million) which produced a gross profit of £17.8 million (2017: £17.7 million). The profit before taxation for the year was £1.8 million after exceptional reorganisation costs of £1.1 million, a share based payment charge of £0.1 million, amortisation of intangible assets of £0.1 million and contingent consideration costs on previous acquisitions of £0.3 million (2017: £2.7 million after exceptional reorganisation costs of £nil, a share based payment charge of £0.1 million, amortisation of intangible assets of £0.1 million and contingent consideration of £0.9 million).

A dividend of 0.40p per share was paid during the year in respect of the year ended 30 September 2017. No dividend has been proposed in respect of the year ended 30 September 2018.

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

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

The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 15 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 2017:

Director		Office held
John Foley		Non-Executive Chairman
Andrew Church		Chief Executive Officer
Glenn Swaby	(resigned 2 November 2017)	Chief Financial Officer
Chris Hinton	(appointed 2 November 2017)	Chief Financial Officer
Emma Caplan		Non-Executive Director

Financial instruments
Details of the Group and Company's use of financial instruments and their associated risks are given in note 15 to the financial statements.

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

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

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

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

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

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

Directors' responsibilities *(continued)*
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 Chief Executive Officer Review and Strategic Report on pages 2 and 3 and in the Directors' Report above. In addition note 15 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 30 September 2020 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

EU Referendum
Following the UK's decision to leave the EU following the referendum on 23 June 2016 and the consequential uncertainty surrounding the UK economy, the Board has continued to monitor the impact of this decision on the Company's markets. We have not as yet seen a reduction in demand for our services or the availability of temporary workers. Whilst it is too early to determine the longer-term impact of Brexit, the Board is confident that the Company's scale and expertise will allow it to comfortably manage any gradual tightening in the labour market.

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

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

This report was approved by the Board of Directors on 25 June 2019 and signed by order of the Board.

Chris Hinton
Company Secretary 25 June 2019

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

Opinion

We have audited the financial statements of Servoca Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company statement of financial position, company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International 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 including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2018 and of the group's loss 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 5 and 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

25 June 2019

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2018

	Note	**2018** Before Amortisation, share based payments, exceptional reorganisation costs and contingent consideration £'000	**2018** Amortisation, share based payments, exceptional reorganisation costs and contingent consideration (see note 5) £'000	**2018** Total £'000	2017 Before Amortisation, share based payments, exceptional reorganisation costs and contingent consideration £'000	2017 Amortisation, share based payments, exceptional reorganisation costs and contingent consideration (see note 5) £'000	2017 Total £'000
Continuing operations							
Revenue	2	**74,890**	**-**	**74,890**	71,523	-	71,523
Cost of sales		**(57,133)**	**-**	**(57,133)**	(53,862)	-	(53,862)
Gross profit		**17,757**	**-**	**17,757**	17,661	-	17,661
Administrative expenses		**(14,360)**	**(1,554)**	**(15,914)**	(13,911)	(1,018)	(14,929)
Operating profit	4	**3,397**	**(1,554)**	**1,843**	3,750	(1,018)	2,732
Finance costs	6	**(89)**	**-**	**(89)**	(81)	-	(81)
Profit before taxation		**3,308**	**(1,554)**	**1,754**	3,669	(1,018)	2,651
Tax charge	7	**(1)**	**-**	**(1)**	(648)	-	(648)
Total comprehensive income for the year, from continuing operations		**3,307**	**(1,554)**	**1,753**	3,021	(1,018)	2,003
(Loss)/profit for the year from discontinued operations	16	**(2,190)**	**-**	**(2,190)**	150	-	150
Total comprehensive income for the year attributable to the owners of the parent		**1,117**	**(1,554)**	**(437)**	3,171	(1,018)	2,153

The notes on pages 14 to 40 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2018

	Note	30 September 2018 £'000	30 September 2017 £'000
Assets			
Non-current assets			
Intangible assets	9	**9,014**	8,907
Property, plant and equipment	10	**1,001**	1,153
Total non-current assets		**10,015**	10,060
Current assets			
Trade and other receivables	12	**13,630**	14,705
Inventories		**-**	269
Cash and cash equivalents	21	**1,036**	579
		14,666	15,553
Assets of disposal group classified as held-for-sale	16	**3,764**	-
Total current assets		**18,430**	15,553
Total assets		**28,445**	25,613
Liabilities			
Current liabilities			
Trade and other payables	13	**(6,155)**	(6,880)
Corporation tax payable		**(63)**	(839)
Other financial liabilities	14	**(7,220)**	(2,915)
Assets of disposal group classified as held-for-sale	16	**(1,175)**	-
Total current liabilities		**(14,613)**	(10,634)
Total net assets		**13,832**	14,979
Capital and reserves attributable to equity owners of the Company			
Called up share capital	17	**1,256**	1,256
Share premium account	18	**202**	202
Merger reserve	18	**2,772**	2,772
Reverse acquisition reserve	18	**(12,268)**	(12,268)
Retained earnings		**21,870**	23,017
Total equity		**13,832**	14,979

The financial statements were approved by the Board and authorised for issue on 25 June 2019 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 14 to 40 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2016 attributable to equity owners of the parent	1,256	202	2,772	(12,268)	21,548	**13,510**
Profit for the year being total comprehensive profit	-	-	-	-	2,153	**2,153**
Transactions with owners:						
Share based payment expense (note 17)	-	-	-	-	63	**63**
Dividend paid	-	-	-	-	(435)	**(435)**
Net purchase of treasury shares (note 17)	-	-	-	-	(312)	**(312)**
Total transactions with owners	-	-	-	-	(684)	**(684)**
Balance as at 30 September 2017 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**23,017**	**14,979**
Loss for the year being total comprehensive profit for the year	-	-	-	-	(437)	**(437)**
Transactions with owners:						
Share based payment expense (note 17)	-	-	-	-	63	**63**
Dividend paid	-	-	-	-	(492)	**(492)**
Net purchase of treasury shares (note 17)	-	-	-	-	(281)	**(281)**
Total transactions with owners	-	-	-	-	(710)	**(710)**
Balance as at 30 September 2018 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**21,870**	**13,832**

The notes on pages 14 to 40 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2018

	Note	2018 £'000	2017 £'000
Operating activities – continuing operations			
Profit before tax		**1,754**	2,651
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**311**	295
Share based payments		**63**	63
Finance costs		**89**	81
Increase in trade and other receivables		**(2,775)**	(884)
Increase/(decrease) in trade and other payables		**398**	491
Cash generated from continuing operations		**(160)**	2,697
Corporation tax paid		**(759)**	(971)
Cash flows from operating activities of continuing operations		**(919)**	1,726
Investing activities – continuing operations			
Acquisitions, net of cash acquired		**(299)**	-
Deferred consideration paid		**(880)**	(66)
Purchase of property, plant and equipment		**(272)**	(712)
Net cash flows used in investing activities of continuing operations		**(1,451)**	(778)
Financing activities – continuing operations			
Interest paid		**(89)**	(81)
Dividend paid		**(492)**	(435)
Net purchase of shares held in treasury		**(281)**	(312)
Net cash flows used in financing activities of continuing operations		**(862)**	(828)
(Decrease)/increase in cash and cash equivalents from continuing operations	21	**(3,232)**	120
Decrease in cash and cash equivalents from discontinued operations	16	**(616)**	(53)
Total (decrease)/increase in cash and cash equivalents		**(3,848)**	67
Cash and cash equivalents at beginning of the year	21	**(2,336)**	(2,403)
Cash and cash equivalents at end of the year	21	**(6,184)**	(2,336)

The notes on pages 14 to 40 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is a public company limited by shares incorporated and domiciled in the England and Wales. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) published by the International Accounting Standards Board (IASB), as endorsed for use in the European Union, and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS. The financial statements have been prepared under the historical cost convention.

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

The Group financial statements have been prepared for a twelve month period to 30 September 2018 and the comparative figures represent a twelve month period to 30 September 2017.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 6. In addition note 15 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 30 September 2020 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 9.

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 12.
- 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:

- IFRS 15: Revenue from Contracts with Customers (issued on 28 May 2014) including amendments to IFRS 15 (effective for periods commencing 1 January 2018).
- IFRS 9 Financial Instruments (issued on 24 July 2014) (effective for periods commencing 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) (effective for periods commencing 1 January 2018).
- IFRS 16: Leases (issued on 13 January 2016) (effective for periods commencing 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (issued on 12 October 2017) (effective for periods commencing 1 January 2019).
- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017) (effective for periods commencing 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for periods commencing 1 January 2019).

Impact of new standards

IFRS 9 introduces a new classification approach for financial assets and liabilities. The categories of financial assets will be reduced from four to three and financial liabilities will be measured at amortised cost or fair value through profit and loss. The standard also prescribes an 'expected credit loss' model for determining the basis of providing for bad debts.

A review of the current Group bad debt policy has concluded that had IFRS 9 been applied in the current reporting period, the expected credit loss model would not have had a material impact on the Group's financial statements. The Group will apply the new rules retrospectively from 1 October 2018. Comparative information for the year ended 30 September 2018 will not be restated.

IFRS 15 'Revenue from Contracts with Customers' is effective in the Consolidated Financial Statements for the year ending 30 September 2019. IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. IFRS 15 establishes principles for reporting information about the nature,

1 Accounting policies *(continued)*
Impact of new standards *(continued)*
amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. There will also be additional disclosure requirements.

An assessment of the impact of IFRS 15 has been completed following a comprehensive review of the contracts that exist across the Group's revenue streams. The review has concluded that the significant majority of revenue generated by the Group is from the performance obligation of either (i) the permanent placement of an individual with a client, which is satisfied upon the individual commencing employment with the client, or (ii) as temporary workers are provided to the client. As a result of the review, revenue recognition under IFRS 15 is expected to be consistent with current practice for the Group's revenue as described in the notes to these financial statements. Had IFRS 15 been applied in the current reporting period, it would not have had a material impact on the Group's financial statements. A fully retrospective method will be adopted for transparency and comparison purposes in the FY19 Group financial statements.

IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's Consolidated Financial Statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, operating lease rentals payable will be replaced by depreciation and interest expense. This will result in an increase in operating profit and an increase in finance costs. The standard will also impact a number of statutory measures such as cash generated from operations, and alternative performance measures used by the Group. The full impact of IFRS 16 is currently under review, including understanding the practical application of the principles of the standard. It is therefore not practical to provide a reasonable estimate of the financial effect until this review is complete. IFRS 16 will become effective in the Group's financial year 2020. The directors expect to be able to provide an indication of the impact on the Group's financial statements by 30 September 2019.

The directors are currently evaluating the impact of the adoption of all other standards, amendments and interpretations but do not expect them to have a material impact on current or future periods for 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 2018. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Revenue
Revenue represents proceeds from services provided, less discounts and sales tax.

Revenue from temporary contract assignments is recognised when services are performed, based on hours worked by the temporary or contract candidates placed by the Group.

Revenue from permanent placements is recognised in line with contractual terms on commencement of employment. A provision is made for possible cancellation of placements shortly after commencement of employment within the "clawback" period.

1 Accounting policies *(continued)*

Revenue *(continued)*

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

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. The consideration transferred is measured at the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of the exchange. Costs directly attributable to the acquisition are expensed as incurred. Contingent consideration due to the vendors is treated in accordance with IFRS 3 when it is linked to the continued employment of the previous owners. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Goodwill

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

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to profit or loss. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss.

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	-	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	-	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 Revenue

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

	2018	2017
	£'000	£'000
Revenue is split into the following segments:		
Recruitment	**65,502**	62,927
Outsourcing	**9,388**	8,596
	74,890	71,523

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.

3 Employees

	2018	2017
	£'000	£'000
Staff costs from continuing operations within administrative expenses, including executive directors, consist of:		
Wages and salaries	**8,595**	8,407
Social security costs	**948**	876
Redundancy costs	**-**	29
Pension contributions	**80**	112
Share-based payments	**63**	63
	9,686	9,487

	2018	2017
	Number	Number
The average monthly number of employees of continuing operations, including directors, during the year was as follows:		
Operations	**50**	38
Sales	**146**	154
Financial and administration	**30**	31
	226	223

3 Directors' remuneration

Total remuneration was as follows:	**2018 £'000**	2017 £'000
Salaries and benefits	**695**	637
Share based payments	**-**	15
Pension contributions	**1**	62
	696	714
Salary and benefits of the highest paid director:		
Salaries and benefits	**424**	452
Share based payments	**-**	-
Pension contributions	**-**	-
	424	452

During the year, one director had benefits accruing under defined contribution pension schemes (year ended 30 September 2017: one).

4 Operating profit

	2018 £'000		2017 £'000	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Operating profit is stated after charging:				
Depreciation of property, plant and equipment	**307**	**108**	290	116
Amortisation of intangible assets	**4**	**42**	5	42
Share based payment expense	**63**	**-**	63	-
Contingent consideration	**314**	**-**	908	-
Exceptional reorganisation costs	**1,131**	**-**	-	-
Operating lease rentals:				
- land and buildings	**669**	**24**	675	9
- other	**209**	**23**	231	30
Remuneration to auditor:				
- Audit of the Company's financial statements pursuant to legislation	**12**	**-**	22	-
- Audit of the subsidiaries' financial statements pursuant to legislation	**48**	**8**	48	5
- Other taxation compliance services	**22**	**1**	14	1

4 Operating profit *(continued)*

In August 2018 the decision was made to relocate the finance function of the Group. The majority of exceptional reorganisation costs charged through profit and loss during the year represent the committed costs incurred in relation to this.

Analysis of expenses by nature	**2018 £'000**		2017 £'000	
	Continuing operations	**Discontinued operations**	Continuing operations	Discontinued operations
Direct cost of temporary placements	**57,133**	**5,921**	53,862	5,496
Staff costs	**9,685**	**982**	9,510	960
Cost of inventory	**-**	**1,035**	-	1,135
Depreciation and amortisation	**311**	**150**	295	158
Property costs	**1,253**	**27**	1,380	26
Others	**4,754**	**2,910**	3,825	628
	73,136	**11,025**	68,872	8,403

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

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

	2018 £'000	2017 £'000
Amortisation of intangible assets	**46**	47
Share based payments	**63**	63
Contingent consideration	**314**	908
Exceptional reorganisation costs	**1,131**	-
	1,554	1,018

6 Finance costs

	2018 £'000	2017 £'000
Invoice discounting facilities	**89**	81

7 Taxation

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

	2018 £'000	2017 £'000
Current income tax		
Current year charge	**-**	709
Adjustment in respect of earlier years	**(1)**	(61)
	(1)	648
Deferred tax		
Origination and reversal of temporary differences	**24**	-
Adjustment in respect of earlier years	**(22)**	-
	2	-
Total income tax charge from continuing operations	**1**	648

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 2018 and 2017 is as follows:

	2018 £'000	2017 £'000
Profit before taxation from continuing operations	**1,754**	2,651
Profit before taxation multiplied by the average rate of corporation tax in the UK of 19.0% (2017: 19.5%)	**333**	517
Fixed asset differences	**20**	201
Expenses not deductible for tax purposes	**18**	16
Other permanent differences	**54**	-
Group relief from discontinued operations	**(398)**	-
Effect of change in tax rates	**(3)**	-
Temporary differences not recognised for tax	**-**	(25)
Adjustment in respect of earlier years	**(23)**	(61)
Total tax charge on continuing operations reported in the consolidated statement of comprehensive income	**1**	648

c) Deferred tax

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

	2018 £'000	2017 £'000
As at 1 October	**-**	-
Decelerated capital allowances:		
Movement in respect of current year	**(32)**	-
Movement in respect of prior years	**29**	-
As at 30 September	**(3)**	-

7 Taxation *(continued)*

d) Unrecognised deferred tax

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

	2018 **£'000**	2017 £'000
Capital losses for offset against future capital gains	**1,448**	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.

8 Dividends

A dividend of 0.40p per ordinary share was paid during the year. No dividend for the year ended 30 September 2018 has been proposed.

9 Intangible assets

	Goodwill £'000	**Licences £'000**	**Customer relationships £'000**	**Total £'000**
Cost				
Balance at 30 September 2016 and 2017	**17,056**	**388**	**294**	**17,738**
On acquisition	237	-	-	237
Transfer to disposal group held-for-sale	-	(270)	-	(270)
Balance as at 30 September 2018	**17,293**	**118**	**294**	**17,705**
Accumulated amortisation and impairment				
Balance at 1 October 2016	**8,279**	**220**	**285**	**8,784**
Amortisation for the year	-	42	5	47
Balance at 1 October 2017	**8,279**	**262**	**290**	**8,831**
Amortisation for the year	-	42	4	46
Transfer to disposal group held-for-sale	-	(186)	-	(186)
Balance at 30 September 2018	**8,279**	**118**	**294**	**8,691**
Net book value				
At 30 September 2016	8,777	168	9	8,954
At 30 September 2017	8,777	126	4	8,907
At 30 September 2018	**9,014**	**-**	**-**	**9,014**

9 Intangible assets (continued)

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

	30 September 2018 £'000	30 September 2017 £'000
A-Day Consultants Limited	**5,334**	5,334
A+ Teachers Limited	**961**	961
Classic Education Limited	**1,187**	1,187
Others	**1,532**	1,295
	9,014	8,777

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 2019 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 2019. 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 between 2% and 7% depending on the sector (2017: 5%) per annum for the first year and between 2% and 5% thereafter (2017: 2% and 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 9.0% (2017: 10.5%).

These assumptions have been revised in the year in light of the current economic environment which has resulted in more conservative estimates of the future. Growth in the recruitment industry is expected to be maintained at the same level as the increase in GDP and it is anticipated that sales volumes will show similar increases as the current year due to the opening of new offices.

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

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

10 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 2016	**422**	**16**	**421**	**1,369**	**2,228**
Additions	343	-	216	171	730
Eliminated on disposal	(222)	-	-	-	(222)
Balance at 1 October 2017	**543**	**16**	**637**	**1,540**	**2,736**
Additions	14	-	29	242	285
Transfer to disposal group held-for-sale	-	(16)	(77)	(612)	(705)
Balance at 30 September 2018	**557**	**-**	**589**	**1,170**	**2,316**
Accumulated depreciation					
Balance at 1 October 2016	**239**	**13**	**293**	**854**	**1,399**
Depreciation charge for the year	68	2	57	279	406
Eliminated on disposal	(222)	-	-	-	(222)
Balance at 1 October 2017	**85**	**15**	**350**	**1,133**	**1,583**
Depreciation charge for the year	80	1	72	262	415
Transfer to disposal group held-for-sale	-	(16)	(66)	(601)	(683)
Balance at 30 September 2018	**165**	**-**	**356**	**794**	**1,315**
Net book value					
At 30 September 2016	183	3	128	515	829
At 30 September 2017	458	1	287	407	1,153
At 30 September 2018	**392**	**-**	**233**	**376**	**1,001**

11 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
A+ Teachers Limited*	England and Wales	100%	Staffing and recruitment
Classic Education Limited*	England and Wales	100%	Staffing and recruitment
Academics Solutions (UK) Limited*	England and Wales	100%	Staffing and recruitment

*Undertaking held indirectly by Parent Company.

The Registered Office of all the above subsidiaries, excluding Academic Solutions (UK) Limited, is 4th Floor, Solar House, 1-9 Romford Road, London E15 4LJ. The registered office of Academic Solutions (UK) Limited is 43 Temple Row, Birmingham, West Midlands, B2 5LS.

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.

12 Trade and other receivables

	30 September 2018 £'000	30 September 2017 £'000
Due in less than one year:		
Trade receivables	**11,776**	11,509
Less: Provision for impairment of trade receivables	**(511)**	(427)
Trade receivables net	**11,265**	11,082
Other receivables	**7**	140
Prepayments and accrued income	**2,358**	3,483
	13,630	14,705

12 Trade and other receivables *(continued)*

	30 September 2018 £'000	30 September 2017 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**13,023**	12,753
Cash and cash equivalents	**1,036**	579
Total financial assets classified as loans and receivables	**14,059**	13,332

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 2018, trade receivables of £511,000 (30 September 2017: £427,000) were impaired and fully provided for.

At 30 September 2018 the analysis of trade receivables is:

			Past due or impaired			
	Total £'000	**Neither past due nor impaired £'000**	**31-60 days £'000**	**60-90 days £'000**	**90-120 days £'000**	**120+ days £'000**
Trade receivables	11,776	5,735	2,077	926	588	2,450
Provision	(511)	-	-	-	-	(511)
	11,265	5,735	2,077	926	588	1,939

At 30 September 2017 the analysis of trade receivables was:

			Past due or impaired			
	Total £'000	Neither past due nor impaired £'000	31-60 days £'000	60-90 days £'000	90-120 days £'000	120+ days £'000
Trade receivables	11,509	5,543	1,881	1,497	1,318	1,270
Provision	(427)	-	-	-	-	(427)
	11,082	5,543	1,881	1,497	1,318	843

12 Trade and other receivables *(continued)*

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

	30 September 2018 £'000	30 September 2017 £'000
At beginning of the year	**427**	315
Provided during the year	**84**	112
At end of the year	**511**	427

The movements on the provision relating to continuing operations during the year totalling £0.1 million (2017: £0.1 million) have been included in administrative expenses in the statement of comprehensive income.

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

13 Trade and other payables

	30 September 2018 £'000	30 September 2017 £'000
Trade payables	**789**	1,495
Other taxation and social security	**1,324**	1,551
Contingent/deferred consideration	**13**	577
Other payables	**1,322**	951
Accruals and deferred income	**2,704**	2,306
Deferred tax	**3**	-
	6,155	6,880

The fair values of trade and other payables, which are carried at amortised cost, approximate to their carrying values.
The contingent consideration is the amounts due at the year end to the vendors of Academic Solutions (UK) Limited in accordance with the sale agreements. The total expected consideration is spread over the period of the earn outs and the balances at the year end represent amounts due up to that date.

14 Other financial liabilities - current

	30 September 2018 £'000	30 September 2017 £'000
Invoice discounting facility	**7,220**	2,915

Invoice discounting facilities of £7,220,000 (2017: £2,915,000) 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.

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

- Credit risk
- Interest rate risk
- Liquidity risk

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

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

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

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

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

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

The Group's working capital is financed largely by invoice discounting facilities within each trading 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.

15 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 12.

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 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 2018	
Invoice discounting facility	**7,220**
At 30 September 2017	
Invoice discounting facility	2,915

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 2018, if interest rates on the above floating rate borrowings had been 2% (2017: 2%) higher or lower with all other variables held constant, profit after tax for the period would have been £100,000 (2017: £139,000) lower or higher. There would be the same effect on equity.

The directors consider that 2% (2017: 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.

15 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	**Total £'000**
Trade and other payables	**4,817**	**4,817**
Invoice discounting facilities	**7,220**	**7,220**
At 30 September 2018	**12,037**	**12,037**

	Due in less than 1 year £'000	Total £'000
Trade and other payables	4,772	4,772
Invoice discounting facilities	2,915	2,915
At 30 September 2017	7,687	7,687

15 Financial instruments *(continued)*

Undrawn facilities

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

	30 September 2018 £'000	30 September 2017 £'000
Expiring within one year	**1,601**	3,590

Capital management policy

Servoca Plc defines its capital as its share capital, share premium account, other reserves and retained earnings. The Group's objectives when maintaining capital are to safeguard the Group's ability to continue as a going concern and provide returns to shareholders.

Movements in capital during the year are disclosed in note 17 and the Consolidated Statement of Changes in Equity.

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

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

As a result of the decision to sell Servoca Secure Solutions Ltd, the Company has considered the recoverable amount of the assets within that entity and have identified that an impairment was required in respect of a number of the assets to write them down to their recoverable amounts.

Key amounts relating to the discontinued component are as follows:

	30 September 2018 £'000	30 September 2017 £'000
Revenue	**8,819**	8,629
Cost of sales	**(6,955)**	(6,631)
Gross profit	**1,864**	1,998
Administrative expenses and finance costs	**(1,803)**	(1,772)
Impairment of financial assets	**(2,267)**	-
Profit before taxation	**(2,206)**	226
Tax credit (charge)	**16**	(76)
(Loss) profit for the year from discontinued operations	**(2,190)**	150

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

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

	30 September 2018 £'000
Assets	
Intangibles	**84**
Property, plant and equipment	**22**
Other current assets	**3,658**
Total assets at 30 September 2018	**3,764**
Liabilities	
Trade and other payables	**(1,175)**
Total liabilities at 30 September 2018	**(1,175)**
Net carrying amount of disposal group at 30 September 2018	**2,589**

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

	30 September 2018 £'000	30 September 2017 £'000
Cash generated from operations	**(585)**	(21)
Cash flows used in investing activities	**(13)**	(18)
Cash flows used in financing activities	**(18)**	(14)
Decrease in cash and cash equivalents	**(616)**	(53)

17 Called up share capital

	30 September 2018 Number '000	**30 September 2018 £'000**	30 September 2017 Number '000	30 September 2017 £'000
Allotted, issued and fully paid:				
New Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256
	125,575	**1,256**	125,575	1,256

During the year the Company acquired 1,351,784 of its own shares for £280,863 (2017: acquired 1,270,946 for £312,311). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 3,891,868 which represented 3.17% of the called up share capital of the Company (2017: 2,630,084 representing 2.09%). 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 3,891,868 (2017: 2,630,084).

17 Called up share capital *(continued)*

Share options

At 30 September 2018 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
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
					2,116,779

At 30 September 2017 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	95,000
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
					2,378,058

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:	**2018 Number**	2017 Number
Outstanding at beginning of year	**2,378,058**	2,383,058
Expired during the year	**(261,279)**	-
Lapsed on leaving employment	**-**	(5,000)
Outstanding at end of year	**2,116,779**	2,378,058
Exercisable at end of year	**116,279**	377,558

The weighted average exercise price of the share options outstanding at the year end is 4.2p (2017: 6.5p) and the weighted average contractual life of the options outstanding at the end of the year is 4.1 years (2017: 4.7 years).

17 Called up share capital *(continued)*

Details of parent company share option schemes.

The options fall into 2 groups for valuation with exercise prices varying between 2.38p and 8.00p each:

Group 1 – 348,837 options granted 7 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 2 – 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 2.38p and 8.00p per option at the date of grant. They can only be exercised on change in control of the Company but must be exercised no later than ten years after the date of the grant. The share price at the time of grant was 5p for those granted in October 2011, 2.38p for those granted in March 2013 and 8.00p for those granted in February 2014.

The assumptions in respect of the options granted in groups 1 to 2 are based on:

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

Details of other share options and long term incentive schemes.

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

The charge to the consolidated statement of comprehensive income is £62,766 (2017: £62,766).

18 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.

19 Acquisitions
On 3 September 2018, the Group acquired the entire issued share capital of Academic Solutions (UK) Limited for a total consideration of £0.3 million. A further £0.4 million of deferred contingent consideration is payable dependant on Academic Solutions achieving certain levels of gross margin in the three years to 3 September 2021. 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.

Academic Solutions (UK) Limited is an education recruitment company operating in Birmingham which will enhance the Group's coverage in this region.

Following the acquisition, the trade and assets were immediately transferred into A-Day Consultants Limited.

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

	£'000	£'000
Trade and other receivables	36	
Cash	115	
Corporation tax	(53)	
Trade and other payables	(25)	
Net assets		73
Consideration		
Cash on completion		310
Goodwill		237

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 £138,000 and a profit before tax of £17,000 in respect of Academic Solutions since its acquisition. Had the Group acquired the subsidiary on 1 October 2017, the revenue that Academic Solutions would have contributed to the Group would have been £2,058,000 with a profit before taxation of £251,000.

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

	Cash consideration paid £'000	Cash acquired £'000	Total £'000
All acquisitions	414	(115)	299

20 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 2018 Land and buildings £'000	**30 September 2018 Other £'000**	30 September 2017 Land and buildings £'000	30 September 2017 Other £'000
Not later than one year	**562**	**215**	572	210
Later than one year but less than five years	**1,235**	**238**	1,362	244
More than 5 years	**622**	**-**	771	3
	2,419	**453**	2,705	457

21 Notes to the consolidated statement of cash flows

Cash and cash equivalents

	30 September 2018 £'000	30 September 2017 £'000
Cash available on demand	**1,036**	579
Invoice discounting facilities	**(7,220)**	(2,915)
	(6,184)	(2,336)
Cash and cash equivalents at beginning of year	**(2,336)**	(2,403)
Net increase/(decrease) in cash and cash equivalents	**(3,848)**	67

22 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.

23 Related party transactions

Key management personnel are defined as being Directors of Servoca Plc. Salaries, pension and benefits totalling £696,000 (2017: £699,000) and employer national insurance contributions of £96,000 (2017: £78,000) was paid in relation to key management personnel. Further information on their remuneration is set out in note 3.

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

SERVOCA Plc

Parent statement of financial position

At 30 September 2018 **Company registration number: 02641313**

	Note	30 September 2018 £'000	30 September 2017 £'000
Fixed assets			
Tangible assets	4	**658**	705
Investments	5	**9,807**	9,807
		10,465	10,512
Current assets			
Debtors - due after more than one year	6	**1,619**	3,371
- due in less than one year	6	**687**	720
Cash at bank and in hand		**94**	89
		2,400	4,180
Creditors: amounts falling due within one year	7	**(1,800)**	(1,073)
Net current assets		**600**	3,107
Total assets less current liabilities		**11,065**	13,619
Creditors: amounts falling due after more than one year	8	**(8,665)**	(5,527)
Net assets		**2,400**	8,092
Capital and reserves			
Called up share capital	9	**1,256**	1,256
Share premium account		**203**	203
Profit and loss account		**941**	6,633
Total equity		**2,400**	8,092

As permitted by S408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares group accounts. The Company's loss for the year was £4,982,000 (2017: loss of £82,000).

The financial statements were approved by the Board and authorised for issue on 25 June 2019 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 43 to 49 form part of these financial statements.

SERVOCA Plc
Parent statement of changes in equity
At 30 September 2018

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
Balance at 1 October 2016	**1,256**	**203**	**7,399**	**8,858**
Profit for the year being total comprehensive income for the year	-	-	(82)	(82)
Transactions with owners				
Share based payment expense	-	-	63	63
Dividend paid	-	-	(435)	(435)
Purchase of treasury shares	-	-	(312)	(312)
Balance at 30 September 2017	**1,256**	**203**	**6,633**	**8,092**
Loss for the year being total comprehensive income for the year	-	-	(4,982)	(4,982)
Transactions with owners				
Share based payment expense	-	-	63	63
Dividend paid	-	-	(492)	(492)
Purchase of treasury shares	-	-	(281)	(281)
At 30 September 2018	**1,256**	**203**	**941**	**2,400**

1 General information

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

The address of the Company's registered office and principal place of business is Solar House, 1-9 Romford Road, London E15 4LJ.

2 Accounting policies

The following principal accounting policies have been applied:

Basis of accounting

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

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.

Tangible fixed assets

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

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

2 Accounting policies *(continued)*

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

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

Financial instruments

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

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

Financial assets

Group and other debtors

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

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

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.

2 Accounting policies *(continued)*

Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate 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.

Share-based payments

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

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

3 Employees

	2018	2017
	£'000	£'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**1,693**	1,641
Social security costs	**204**	182
Redundancy costs	**-**	7
Pension contributions	**23**	75
Share-based payments	**63**	63
	1,983	1,968

	2018	2017
	Number	Number
The average monthly number of employees, including directors, during the year was as follows:		
Operations	**2**	3
Financial and administration	**30**	30
	32	33

Details of the remuneration of the directors are provided in note 3 on page 22.

4 Tangible fixed assets

	Leasehold improvements £'000	**Fixtures, fittings and office equipment £'000**	**Computer equipment £'000**	**Total £'000**
Cost				
At 1 October 2017	535	222	1,030	1,787
Additions	12	1	115	128
At 30 September 2018	**547**	**223**	**1,145**	**1,915**
Depreciation				
At 1 October 2017	87	86	909	1,082
Charge for the year	77	22	76	175
At 30 September 2018	**164**	**108**	**985**	**1,257**
Net book value				
At 30 September 2018	**383**	**115**	**160**	**658**
At 30 September 2017	448	136	121	705

5 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2017 and 30 September 2018	**12,655**
Provisions	
At 1 October 2017 and 30 September 2018	**2,848**
Net book value	
At 30 September 2018 and 2017	**9,807**

A list of the main subsidiary companies is disclosed in note 11 to the Group financial statements.

6 Debtors

	30 September 2018 £'000	30 September 2017 £'000
Amounts due within one year:		
Other tax and social security	**403**	390
Other debtors	**5**	30
Prepayments and accrued income	**279**	300
	687	720
Amounts due in more than one year:		
Due from group companies (non interest bearing)	**1,619**	3,371
	2,306	4,091

The Company has an unrecognised deferred tax asset of £246,000 (2017: £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.

7 Creditors: amounts falling due within one year

	30 September 2018 £'000	30 September 2017 £'000
Trade creditors	**506**	480
Corporation tax	**-**	32
Deferred tax	**23**	
Other taxation and social security	**81**	56
Other creditors	**817**	11
Accruals and deferred income	**373**	494
	1,800	1,073

The Company is part of a group VAT registration and the total group liability at 30 September 2018 was £871,000 (2017: £617,000).

8 Creditors: amounts falling due after more than one year

	30 September 2018 £'000	30 September 2017 £'000
Amounts due to group companies	**8,665**	5,527

9 Called up share capital

	30 September 2018 Number '000	**30 September 2018 £'000**	30 September 2017 Number '000	30 September 2017 £'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 17 to the Group financial statements.

Share options
Details of the Company's share option schemes and long term incentive plans are provided in note 17 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 £62,766 (2017: £62,766).

10 Operating leases
The total future minimum lease payments are due as follows:

	30 September 2018 Land and buildings £'000	**30 September 2018 Other £'000**	30 September 2017 Land and buildings £'000	30 September 2017 Other £'000
Amounts due:				
Not later than one year	**365**	**27**	399	30
Later than one year but less than five years	**982**	**73**	1,067	14
In more than 5 years	**622**	**-**	771	-
	1,969	**100**	2,237	44

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 £23,000 (2017: £73,000).

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.