Annual Report

For the eight months ended 30 September 2007

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Corporate information

Directors

Bob Morton, FCA	Non-Executive Chairman
Darren Browne	Chief Executive Officer
Andrew Brundle, C Dir, MSI, CF, ACCA	Chief Financial Officer
Miles Davis	Executive Director
Tony Rogers, BA	Executive Director
John Foley, FCA, Barrister	Non-Executive Director
Glenn Swaby, ACA	Executive Director

Company Secretary and Registered Office
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Nominated Adviser and Broker
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Bankers
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Auditors
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Country of Incorporation
United Kingdom

Legal form
Public limited company

Chairman's Statement

For the eight months ended 30 September 2007

Introduction

The eight month accounting period ended 30 September 2007 is the first reporting period of Servoca Plc ("the Group") following its change of name from Multi Group Plc, the reverse acquisition by Dream Group Limited ("Dream") and the adoption of International Financial Reporting Standards. The financial statements show a loss of £6.9 million after a goodwill impairment charge of approximately £5.3 million arising in respect of goodwill generated on the reverse acquisition of Multi Group Plc.

Following the reverse acquisition by Dream Group the board has been completely restructured and the integration of then existing Multi Group into Dream is now complete. During this period the Group has also made a number of strategic acquisitions in the Education, Healthcare and Security markets that have created an enhanced base for future growth. Notes 22 and 28 to the financial statements provide further information on these acquisitions.

Financial review

During the eight month period ended 30 September 2007, Group turnover was £8.7 million, which produced a gross profit of £2.3 million. Comparison with previous periods is not considered meaningful given the reverse acquisition and the various acquisitions that have taken place in the business during this time.

The operating loss, prior to an impairment charge of approximately £5.3 million against the carrying value of goodwill in the Group's trading subsidiaries, was £1.9 million for the period, and was after charging the restructuring and integration costs of the enlarged Group.

Operational highlights

During the period a great deal of time and effort has been focused on the restructuring and integration of Multi Group into Dream to form the basis for the new enlarged Group and to deal with the integration and restructuring of the businesses that were also acquired during the period.

The Group now has one central accounting and information technology function operating from the London head office with an enhanced infrastructure to provide a scalable base for future acquisitions and growth.

The operational management structure has been strengthened where necessary and clear reporting lines and controls have been established. This has enabled the Group to turnaround the existing Multi healthcare subsidiaries and to make the excellent bolt on acquisitions of Windsor Recruitment and Firstpoint Healthcare. The Healthcare division has accordingly grown substantially and profitably.

To further develop the breadth of our market offering and services that are provided by our three divisions to our customers we are continuing to invest in such areas as training, criminal justice resourcing and security. We are now starting to see the benefits of this investment with cross fertilization now taking place within the newly enlarged Servoca Secure Solutions division ("SSS") following the recent acquisitions which is dealt with under the following post balance sheet events section.

Post balance sheet events

On 7 December 2007, the Company acquired the entire issued share capital of both International Security & Surveillance Limited ("ISS") and ISS Special Projects Limited ("ISS(SP)").

ISS and ISS SP trade from two locations with their head office being based in the Thames Valley and an office in Edinburgh. ISS provide security and manned guarding services and ISS SP provide intelligence led security solutions including close protection, risk management, surveillance and proactive security. The client base generally consists of blue chip organisations some of which are within the aviation industry and corporate commercial markets. The existing senior management has committed itself to working with us to further develop the many opportunities that exist within ISS and ISS SP's markets and in building SSS. In aggregate Servoca paid cash consideration of £1.6 million and issued approximately 2.5 million Servoca fully paid ordinary shares to the vendors, which at a bid price of 44.5 pence each, was approximately £1.1 million.

On 28 March 2008, the Company acquired the entire issued share capital of Academics Holdings Limited ("Academics"). Academics trades from one location in Essex and provides teachers on a temporary or permanent basis to clients in London and the Home Counties.

Chairman's Statement continued

For the eight months ended 30 September 2007

Servoca paid an initial cash consideration of £2 million and will pay up to a further £5 million dependant on certain targets being achieved in the year ended 31 March 2009.

Note 28 to the financial statements provides further information on these acquisitions.

Board changes

Following the reverse acquisition of the Group by Dream on 7 June 2007, Oliver Cooke stepped down as Executive Chairman and Darren Browne was appointed as the Chief Executive Officer to restructure the Group and lead its future development. Miles Davis and Tony Rogers also joined the board as Executive Directors.

Janet Barn stepped down from the main board and became the Managing Director of the Group's Medical division.

David Marks stepped down as a Non-Executive Director.

Bob Morton and John Foley, who have a wealth of successful business and public company experience, joined the board as Non-Executive Chairman and Non-Executive Director respectively.

Glenn Swaby joined the board on 7 December 2007 to set up the Group's new Security division.

Andrew Brundle has resigned as Chief Financial Officer with effect from 28 March 2008. He will remain on the Board during his notice period and will continue to fulfil the role of Company Secretary. On behalf of the board we thank him for his contribution to the establishment of Servoca Plc. I am pleased to announce that Glenn Swaby will take over as Chief Financial Officer with immediate effect.

International Financial Reporting Standards

The Group's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the IASB, as endorsed for use in the EU, for the first time in this accounting period. An analysis of the first time adoption implications can be seen on page 24.

As set out in my statement of 28 September 2007 these accounts are prepared on the basis that Dream acquired the old Multi group under IFRS 3 "Business Combinations" with the financial statements of the Group now being a continuation of Dream's financial statements. The Board has decided to prepare accounts for a shortened eight month period so that the performance from 1 October 2007 will not be impacted upon by the accounting effects of the reverse acquisition which included a goodwill impairment charge of approximately £5.3 million, the implementation of IFRS and the restructuring and integration costs which were necessary to create a new market facing services group with three operating divisions.

The goodwill arising on the reverse acquisition and consolidation of the Multi Group Plc companies, has been assessed in these accounts as having negligible value, and the Group has recognised an impairment charge of £5.3 million to reflect this.

Summary and prospects

The Group has made significant progress in the period and to date which includes the reverse acquisition and integration of Dream, a change of name, a £4 million placing (before expenses), the restructuring of the board and the strategic acquisition of one Education, two Healthcare and two Security businesses which have significantly increased our breadth of offering and scale of operation.

Servoca has built a solid platform; it has a strong board and is well positioned for continued growth both organically and by strategic acquisition.

The board view the future with confidence.

Bob Morton
Chairman
28 March 2008

Chief Executive Officer's Statement

For the eight months ended 30 September 2007

Overview

I am pleased to report that following the reverse acquisition and change in Multi Group's name to Servoca Plc ("the Group") on 7 June 2007 and the raising of £4 million (before expenses) by way of a placing on the same day, that we have integrated the Multi Group into Dream and implemented our identified strategy via five key acquisitions and a number of organic growth initiatives to date.

The Board has been substantially strengthened in the period by the appointment of Bob Morton (Non-Executive Chairman) and John Foley (Non-Executive Director), both of whom are proving invaluable to the approach and growth of the Group.

The process of restructuring and integration is now complete which is enabling the Group to develop a positive profit momentum.

The Group is now stable with a strong board and has exciting prospects for growth, both organically and by way of further considered acquisitions within security, criminal justice, training and resourcing, and post these results the Group will have a strong balance sheet with low levels of debt and one that reflects an appropriate carrying value for goodwill.

Strategy and delivery

Resourcing

The Group now has a significant foothold within the UK Resourcing sector. Servoca concentrates on providing resourcing solutions to two sectors: Healthcare and Education.

Within Healthcare we now have six trading companies: **Berry, TLP, Dream, Windsor, Firstpoint** and **Triplewest**. These supply a broad spectrum of skills providing allied health professionals, doctors, nurses, domiciliary care, social workers and other associated specialisations. Having recently added to our growing portfolio of healthcare resourcing businesses, we are now able to offer a complete service by having the ability to cover all major staffing disciplines within this sector. Servoca is one of only a handful of organisations who offer a one stop shop, and one of even fewer such organisations able to offer a national branch network attracting highly skilled healthcare professionals throughout the country. Servoca Healthcare is now in a position to bid for lucrative, long term, regional and national contracts which will help the Group to underpin plans to increase our visibility of earnings and recurring revenue streams within Healthcare.

The Healthcare sector demands an up-to-date and complex skill set and therefore invests heavily in providing training for new and existing staff. Servoca Healthcare now provides large scale training courses for the NHS, private care homes, local authorities and many other business types involved in the health arena. Over the past year, six specialist healthcare training suites have been established throughout the country, helping to satisfy the ever increasing demand for specialist training within healthcare.

The second area of resourcing that Servoca trades within is the Education sector, and through our **Dream Education** and recent **Academics** acquisition we continue to grow our market presence both in the UK and abroad. **Dream Education** provides long term qualified teachers mostly within secondary schools and **Academics** provides staff in all areas of education across London and the Home Counties. We are actively looking to grow organically and by acquisition into other specialist areas of education recruitment.

The latest acquisition of **Academics** will enhance the Education resourcing division and enable Servoca to provide a wider service to the existing client base as well as gain entry into markets which are currently not serviced by the Group.

Until recently the resourcing division also operated within the Criminal Justice sector, however since the establishment of our Security Division – Servoca Secure Solutions – and our latest acquisitions within security, this division has been amalgamated into our Criminal Justice Operation where it now enjoys significant cross-selling opportunities.

Servoca resourcing now operates from over 30 locations within the UK. In the resourcing sector we are expecting organic growth from our existing divisions and seeking to make a number of other strategic acquisitions throughout the coming year.

Chief Executive Officer's Statement continued

For the eight months ended 30 September 2007

Security

Under the trading name, Servoca Secure Solutions ("SSS"), we have enjoyed particular success in the areas of criminal justice training, crime training, the outsourcing of cold case reviews, business process outsourcing and the provision of highly experienced teams into sensitive areas.

To strengthen our Security offering, in December 2007 we acquired both **International Security & Surveillance** Limited ("ISS") and **ISS Special Projects** Limited ("ISS(SP)"). **ISS** provides security and manned guarding services, and **ISS(SP)** provides intelligence led security solutions including close protection, risk management, surveillance and proactive security.

The newly enlarged division is now able to offer a wide breadth of important and highly valued services to a variety of clients whose needs are often of a sensitive and high-profile nature. SSS not only provides confidential services to the majority of Police Constabularies throughout the UK undertaking training, cold case reviews, mentoring, resource solutions and outsourcing, but is now also providing manned guarding for galleries, high profile and high risk individuals, entertainment venues, exhibitions, government buildings and the air and automotive sectors. SSS is the country's leading commercial provider of outsourced cold case reviews for the UK Police, and the only organisation of its type to have gained the "Skills for Justice Accreditation" for all of our policing training products. Over the past year SSS has run a number of specialist policing conferences and special interest days, further cementing our strategic relationship with the UK Police Service.

SSS is rapidly developing into a unique specialist brand able to offer the full spectrum of security services ranging from manned guarding, covert operations, anti counterfeit investigations and computer/mobile phone forensics to business process outsourcing for the UK Police.

To accelerate the services we are able to offer to customers, we have now established two 24 hour 7 day control centres which are based in London and Cairo. These control centres are already supporting new blue chip clients within the UK. Security will be grown independently of the resourcing division, and we are building this division to become a significant provider of high end specialist security services. We have and are in the process of recruiting additional senior management in order to assist us in achieving our challenging goals including acquisitions which will add to our service offering and enhance the earnings potential of the division.

Acquisitions

Our strategy is to seek out and make focused acquisitions which will strengthen and accelerate our growth into the law enforcement, security and resourcing markets and that will bring growth through complementary business for our existing products and markets.

I am pleased to report that the Group has made a number of strategic acquisitions in the preceding eight months which are detailed below.

Resourcing

Windsor Recruitment & Training ("Windsor") – provides recruitment services in respect of qualified nurses, care assistants and social work professionals together with specialised training services. Its main clients are the NHS, Primary Care Trusts and private care providers.

Firstpoint Healthcare ("Firstpoint") – provides recruitment services in respect of specialist theatre nurses, general nursing and nursery nurses. Its main clients are the NHS, Primary Care Trusts and private care providers.

Acquisitions since the period end

Security

ISS – was acquired in December 2007 and provides security and manned guarding services. Its main clients are blue chip organisations which are based within the aviation industry and the corporate commercial markets. In addition, ISS is well placed within the theatre, arts and exhibition sectors.

ISS SP – was acquired in December 2007 and provides intelligence led security solutions including close protection, risk management, surveillance and proactive security. Its services are provided to substantial organisations based both in the UK and internationally that require confidential and low profile assignments to be undertaken.

Resourcing

Academics – was acquired in March 2008 and provides a wide range of recruitment and training services to educational establishments throughout London and the Home Counties.

These acquisitions will fortify both divisions increasing the depth of our service offering and significantly growing our operation in both markets.

Outlook

We have now begun to fundamentally transform the performance of the Group. This has been achieved by streamlining overheads and at the same time broadening our service offering, giving Servoca significant momentum. Within resourcing we will continue to invest over the coming financial year, investing specifically over £0.5 million within training. Annual savings, which are expected to be ongoing, of approximately £1.1 million have been made as a result of implementing our restructuring and integration plans. The net effect of all initiatives has been to transform a previously loss making division to one that is now profitable on an ongoing basis.

We will continue to invest significant resource into our growing security division.

The overall benefit from our initial investments during 2007 and continued investment in 2008 is expected to have a materially beneficial effect in future years.

The future of the Group and therefore future shareholder value is in the hands of the talented people employed within the organisation. Servoca will continue to provide resource to both new and existing staff to provide market leading solutions to our customers. In addition, we will continue to use the depth and breadth of experience of our board to identify good quality, earnings enhancing acquisitions.

Our staff are now benefiting from an extensive, merit based share option scheme. In addition we are in the process of implementing a company wide SAYE scheme, enabling all Servoca staff to gain from their collective efforts. These initiatives, coupled with extensive share ownership by the board of directors, allow staff, management and board members to align their interests in providing all shareholders with careful stewardship of the company and the future delivery of quality earnings with increasing shareholder value.

Darren Browne
Chief Executive Officer
28 March 2008

Report of the directors

For the eight months ended 30 September 2007

The directors present their report together with the audited financial statements for the eight months ended 30 September 2007.

Principal activities, trading review and future developments

The principal activities of the Group are those of medical and educational recruitment and the provision of secure solutions. The principal activity of the Company is that of a holding company.

The legal parent company, Servoca Plc, acquired Dream Group Limited on 7 June 2007. This has been treated as a reverse acquisition and the consolidated results are those of Dream to the date of acquisition and then the combined entity from the date of acquisition to the period end. This has resulted in a Group turnover for the eight month period of £8.7 million (year ended 31 January 2007: £8.1 million) which produced a gross profit of £2.3 million (year ended 31 January 2007: £2.3 million). The loss for the period, after an impairment provision of £5.3 million, was £6.9 million (year ended 31 January 2007: £0.2 million).

The Company changed its name to Servoca Plc from Multi Group Plc on 7 June 2007.

Results and dividends

The consolidated income statement is set out on page 15 and shows the loss for the period.

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

Share capital

On 7 June 2007, the Company simplified its share structure by consolidating every one hundred ordinary shares of 0.1p each into one ordinary share of 10p each.

Full details of the changes in share capital during the period are set out and explained in note 20 to the financial statements.

Principal risks and uncertainties

The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 18 to the financial statements.

Servoca has also identified further, market-based risks and uncertainties to which the business is exposed. The most significant of these are set out below:

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

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

Directors

	Office held	Appointed	Resigned
Oliver Cooke	Chairman		07/06/07
Janet Barn	Executive		07/06/07
David Marks	Non-Executive		07/06/07
Andrew Brundle	Chief Financial Officer		
Darren Browne	Chief Executive Officer	07/06/07	
Miles Davis	Executive	07/06/07	
Tony Rogers	Executive	07/06/07	
Bob Morton	Non-Executive Chairman	07/06/07	
John Foley	Non-Executive	07/06/07	
Glenn Swaby	Executive	07/12/07	

Interests in shares

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

	30 September 2007 Ordinary shares of 10p each Number	31 January 2007 Ordinary shares of 0.001p each Number
Directors		
Bob Morton	–	–
Darren Browne	7,287,775	8,848,333
Andrew Brundle	200,366	–
Miles Davis	805,765	1,348,333
Tony Rogers	–	–
John Foley	1,200,000	–

As part of the Placing of shares on 7 June 2007, Darren Browne, Andrew Brundle and John Foley applied for and were allotted 2,000,000, 128,000 and 1,200,000 ordinary shares of 10p each respectively, at a consideration of 25p per share.

On the same date, Darren Browne and Miles Davis were allotted 5,287,775 and 805,765 ordinary shares of 10p each respectively, as consideration for their interest in the share capital of Dream Group Limited.

Report of the directors continued

For the eight months ended 30 September 2007

Interests in share options

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

	Exercise price	Date of grant	Date first exercisable	Date of expiry	Ordinary shares of 10p each 30 September 2007	Potential gains on options at 30 September 2007 £'000
Directors						
Darren Browne	25p	28/09/07	28/09/09	28/09/17	400,000	84
Miles Davis	25p	28/09/07	28/09/09	28/09/17	400,000	84
Andrew Brundle	100p	17/11/03	17/11/04	16/11/09	25,000	–
Tony Rogers	25p	28/09/07	28/09/09	28/09/17	400,000	84

The mid-market price of the Company's shares on 30 September 2007 was 46 pence.

The lowest price during the period from 1 April 2007 to 30 September 2007 was 1.2 pence (ordinary shares of 0.1pence each) and the highest price during the year was 48.5 pence (ordinary shares of 10 pence each). The potential gains on share options have been calculated by reference to the market value of the shares under option at 30 September 2007 less the cost of purchasing those shares at the relevant exercise price.

Information on directors

Bob Morton, FCA – Non – Executive Chairman

Aged 66, Bob is a Chartered Accountant with substantial public company experience. He is currently Chairman of Armour Group Plc, Conchango plc, Hat Pin plc, Tenon Group Plc and St. Peter Port Capital Limited. In addition he holds directorships in several private companies.

Darren Browne – Chief Executive Officer

Aged 41, Darren founded and was the Chief Executive of Dream Group Limited. He successfully built it into a specialist public sector outsourcing and recruitment organisation before the reverse acquisition by Multi Group Plc in June 2007. He was previously a divisional director with Hays Plc for 10 years with responsibility for running their IT consulting division, Hays Information Technology. He is also a non-executive director of a number of private limited companies.

Andrew Brundle, C Dir, MSI, CF, ACCA – Chief Financial Officer & Company Secretary

Aged 43, Andrew is a Chartered Certified Accountant, a Chartered Director, holds an Honours degree in Accounting and is a member of the Securities & Investment Institute. He also holds the ICAEW's Corporate Finance Qualification, CF. Andrew joined the Company in May 1995 as Financial Controller and was appointed to the Board as Chief Financial Officer in March 1998 until his resignation on 28 March 2008.

Miles Davis – Executive Director

Aged 39, Miles was a founding director of Dream Group Limited in 2000 and was its Managing Director when it was acquired by Multi in 2007. Prior to 2000, he spent over 10 years in the recruitment industry, primarily within information and technology and headhunting in the financial and securities market.

Tony Rogers, BA – Executive Director

Aged 55, Tony is a former Assistant Chief Constable, holds a bachelor degree and also a diploma in Applied Criminology from Cambridge. His portfolio included membership of the ACPO Crime, Terrorist and Intelligence and Organised Crime Committees and Chair of the ACPO Homicide Working Group and ALL Wales Senior Detectives Committee. He was a lead in the introduction of professional standards and training for investigators and undertook reviews for the HMIC and Home Office. He continues to be a member of ACPO and advises police forces on major crime.

Information on directors (continued)

John Foley, FCA, Barrister – Non – Executive Director

Aged 52, John is a Chartered Accountant and a Barrister. He is a successful public company director having served on many boards in senior roles. He recently served as CEO of Maclellan Group Plc from 1994 until its successful disposal to Interserve Plc for £120 million during 2006. He currently holds a number of directorships in a wide range of private companies.

Glenn Swaby, ACA – Executive

Aged 52, Glenn is a chartered accountant and has a wealth of experience within the security market and was until recently the financial director of First Security Group Limited, where he played a key role in the development of the company over the past nine years. Glenn will have day to day responsibility for all Servoca Security brands. Glenn has taken over as Chief Financial Officer from 28 March 2008 having established the Servoca security brand.

Substantial shareholders

At 28 March 2008 those shareholders which had notified the Company of a disclosable interest of 3 per cent or more in the share capital of Servoca Plc are set out below:

Holder	Ordinary shares of 10p each	Percentage
Seraffina Holdings Limited	8,120,929	19.2
Darren Browne	7,287,775	17.3
Southwind Limited	4,247,048	10.1
Retro Grand Limited	2,000,000	4.7
William Cassie	1,919,464	4.5
Pershing Keen Nominee's	1,848,497	4.3
Chase Nominee's	1,742,785	4.1
Rathbone Nominee's	1,455,530	3.5

Payment to suppliers

The Group's policy for all suppliers is to fix terms of payment when agreeing the terms of business transactions, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The number of average days purchases of the Group represented by trade creditors at 30 September 2007 was 78 days (31 January 2007: 22 days).

Donations

During the period the Group made no charitable or political donations (year ended 31 January 2007: £nil).

Financial instruments

Details of Group and Company's use of financial instruments and their associated risks are given in note 18 to the financial statements.

Directors' responsibilities

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

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

Report of the directors continued

For the eight months ended 30 September 2007

Group financial statements

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

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

Parent company financial statements

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

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

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

Auditors

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

A resolution to appoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting of the Company.

This report was approved by the Board of Directors on 28 March 2008 and signed by order of the Board by

Andrew Brundle
Company Secretary
28 March 2008

Independent auditor's report

To the shareholders of Servoca Plc

We have audited the group and parent company financial statements (the ''financial statements'') of Servoca Plc for the period ended 30 September 2007 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report, the chairman's statement and the chief executive officer's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

Independent auditor's report continued

To the shareholders of Servoca Plc

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2007 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 30 September 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and
Registered Auditors
Epsom
28 March 2008

Consolidated income statement

For the eight months ended 30 September 2007

	Note	Eight months ended 30 September 2007 Total £'000	Year ended 31 January 2007 Total £'000
Revenue		**8,738**	8,144
Cost of sales		**6,456**	5,866
Gross profit		**2,282**	2,278
Administrative expenses		**(9,411)**	(2,414)
Other operating income		**–**	170
Operating (loss)/profit before goodwill impairment		**(1,858)**	34
Goodwill impairment	10	**(5,271)**	–
(Loss)/profit from operations	6	**(7,129)**	34
Finance income	7	**308**	5
Finance costs	8	**(81)**	(285)
Loss before taxation		**(6,902)**	(246)
Tax expense	9	**–**	–
Loss for the period/year attributable to equity holders of the parent		**(6,902)**	(246)

		Pence	Pence
Loss per share:			
– Basic	5	**(23.96)**	(1.38)
– Diluted	5	**(23.96)**	(1.38)

The notes on pages 19 to 44 form part of these financial statements.

Consolidated balance sheet

At 30 September 2007

	Note	30 September 2007 £'000	30 September 2007 £'000	31 January 2007 £'000	31 January 2007 £'000
Assets					
Non-current assets					
Intangible assets	10		**1,683**		692
Property, plant and equipment	11		**358**		191
Total non-current assets			**2,041**		883
Current assets					
Trade and other receivables	13	**4,742**		1,277	
Cash and cash equivalents	13	**99**		–	
Total current assets			**4,841**		1,277
Total assets			**6,882**		2,160
Liabilities					
Current liabilities					
Bank overdraft	15	**(80)**		(753)	
Trade and other payables	14	**(3,377)**		(479)	
Other financial liabilities	15	**(2,405)**		(2,604)	
Corporation tax liability		**(285)**		–	
Provisions	19	**(285)**		–	
Total current liabilities		**(6,432)**		(3,836)	
Non-current liabilities					
Other financial liabilities	16	**(157)**		(620)	
Provisions	19	**(208)**		–	
Total non-current liabilities		**(365)**		(620)	
Total liabilities			**(6,797)**		(4,456)
Total net assets/(liabilities)			**85**		(2,296)
Capital and reserves attributable to equity holders of the company					
Called up share capital	20		**3,931**		–
Share premium account	21		**8,812**		–
Capital redemption reserve	21		**6,036**		–
Merger reserve	21		**2,772**		–
Reverse acquisition reserve	21		**(12,268)**		–
Retained earnings			**(9,198)**		(2,296)
Total Equity			**85**		(2,296)

The financial statements were approved by the Board and authorised for issue on 28 March 2008.

Darren Browne
Director

Andrew Brundle
Director

The notes on pages 19 to 44 form part of these financial statements.

Consolidated statement of changes in equity

For the eight months ended 30 September 2007

	Ordinary share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 February 2006	–	–	–	–	–	(2,050)	**(2,050)**
Total recognised income and expense for the year being loss for the year	–	–	–	–	–	(246)	**(246)**
Balance as at 31 January 2007	–	–	–	–	–	(2,296)	**(2,296)**
Changes in equity for the period ended 30 September 2007							
Loss for the period	–	–	–	–	–	(6,902)	**(6,902)**
Total recognised income and expense for the period	–	–	–	–	–	(6,902)	**(6,902)**
Acquisition of subsidiary	545	6,512	6,036	96	–	–	**13,189**
Reverse acquisition	–	(2,249)	–	–	(12,268)	–	**(14,517)**
Issue of share capital – Dream Group Limited	–	2,249	–	–	–	–	**2,249**
Issue of share capital – Servoca Plc	3,386	2,300	–	2,676	–	–	**8,362**
	3,931	8,812	6,036	2,772	(12,268)	–	**9,283**
Balance as at 30 September 2007	**3,931**	**8,812**	**6,036**	**2,772**	**(12,268)**	**(9,198)**	**85**

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

Consolidated cash flow statement

For the eight months ended 30 September 2007

	Note	Eight months ended 30 September 2007 £'000	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000	Year ended 31 January 2007 £'000
Operating activities					
Loss before tax		**(6,902)**		(246)	
Adjustments for:					
Depreciation and amortisation charges		**71**		62	
Interest expense		**81**		285	
Investment income		**(308)**		(5)	
Loss on disposal of fixed assets		**13**		–	
Goodwill impairment	10	**5,271**		–	
Operating (loss)/profit before changes in working capital and provisions			**(1,774)**		96
(Increase)/decrease in trade and other receivables		**(388)**		448	
Increase/(decrease) in trade and other payables		**1,335**		(95)	
Cash generated from operations			**947**		353
Interest paid			**(81)**		(153)
Income taxes paid			**–**		–
Cash flows from operating activities			**(908)**		296
Investing activities					
Acquisitions net of cash acquired		**(3,247)**		(1)	
Purchase of property, plant and equipment		**(156)**		(40)	
Sale of property, plant and equipment		**–**		31	
Interest received		**11**		5	
			(3,392)		(5)
Financing activities					
Issue of ordinary shares		**3,605**		–	
Share issue costs		**(103)**		–	
Repayment of finance lease creditor		**(2)**		–	
			3,500		–
(Decrease)/increase in cash and cash equivalents	25		**(800)**		291

The notes on pages 19 to 44 form part of these financial statements.

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

1 Accounting policies

Basis of preparation

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) published by the International Accounting Standards Board (IASB), as endorsed for use in the European Union, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Group has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the Group's reported financial position, financial performance and cash flows are given in note 2.

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

The Group financial statements have been prepared for a shortened accounting period of eight months to 30 September 2007 so that the performance from 1 October 2007 will not be impacted upon by the accounting effects of the reverse acquisition. The comparative figures are for the year ended 31 January 2007 and represent those of Dream Group Limited only so are not entirely comparable.

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 IFRS and the Group's accounting policy. The resulting accounting estimate may not equal the related actual result:

- The restructuring provision is determined taking into consideration future expected costs based on historical knowledge and estimated timing of future costs.
- Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes in estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. More details of carrying values are shown in notes 10 and 11.
- 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.

Transition to IFRSs

For all periods up to and including the year ended 31 January 2007, the Group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the eight months ended 30 September 2007, are the first the Group is required to prepare in accordance with International Financial Reporting Standards (IFRSs) as published by the IASB and as endorsed for use in the European Union (EU).

Accordingly, the Group has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 February 2007 and the significant accounting policies meeting those requirements are described below.

The Group has adopted IFRS 7 Financial Instruments: Disclosures. This replaces the disclosure requirements of IAS 32 financial Instruments Disclosure and Presentation. IFRS 7 introduces new requirements aimed at improving disclosure of qualitative and quantitative information about the exposure and risks arising from financial instruments.

The Group has also adopted a complementary amendment to IAS 1: Presentation of financial statements – capital disclosures which requires disclosure about the level and the management of capital.

In preparing these financial statements, the Group has started from an opening balance sheet as at 1 February 2006, the Group's date of transition to IFRSs, and made those changes in accounting policies and other restatements required by IFRS 1 for the first-time adoption of IFRSs. Note 2 explains the principal adjustments made by the Group in restating its UK GAAP balance sheet as at 1 February 2006 and its previously published UK GAAP financial statements for the year ended 31 January 2007.

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

1 Accounting policies (continued)

Changes in accounting policies

First-time adoption

In preparing these financial statements, the Group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 1 February 2006, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated.
- The carrying amount of capitalised goodwill at 1 February 2006 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 February 2006. The carrying amount was adjusted for intangible assets that would have been required to be recognised in the acquiree's separate financial statements in accordance with IAS 38 'Intangible Assets', such as development costs.
- Goodwill written off directly to reserves on business combinations effected before 1 January 1998 has not retrospectively been capitalised and will not be transferred to the income statement on the disposal of a subsidiary to which it relates.
- IFRS 2 'Share-based payments' has been applied to employee options granted after 7 November 2002 that had not vested by 1 February 2006.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2007 or later periods and which the Group has decided not to adopt early. These are:

- **IAS 1 Presentation of financial statements (revised 2007)** (effective for periods beginning on or after 1 January 2009, but is not yet endorsed for use in the European Union). This revision will require a change to how the Consolidated Income Statement is presented by the inclusion of a Statement of Comprehensive Income which includes items taken directly to equity. Management are currently reviewing the impact of IAS 1 (Revised 2007) on the presentation of the Group financial statements.
- **Amendments to IAS 32, Financial Instruments: Presentation (Puttable instruments and obligations arising on a liquidation) and disclosure amendments to IAS 1**. (Effective for accounting periods beginning on or after 1 January 2009 and has yet to be endorsed for use in the European Union). The current version of IAS 32 requires that puttable financial instruments that have characteristics similar to ordinary shares are classified as financial liabilities. The amendments provide an exemption to the principles otherwise applied in IAS 32 for the classification of some puttable financial instruments as equity. The amendments to IAS 32 are not considered to have a material impact on the Group at present.
- **IAS 23 Borrowing costs (revised)** (effective for accounting periods beginning on or after 1 January 2009). The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. IAS 23 is currently not relevant to the Group.
- **IFRIC 12, Service Concession Arrangements** (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IRFIS 12 is currently not relevant to the Group.
- **IFRIC 13, Customer Loyalty Programmes** (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is currently not relevant to the Group.
- **IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is still to be endorsed by the EU. IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to liability. IFRIC 14 is currently not relevant to the Group.

1 Accounting policies (continued)

Standards, amendments and interpretations to published standards not yet effective (continued)

- **Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, Consolidated and separate financial statements** (both effective for accounting periods beginning on or after 1July 2009). This revised standard and amendments to is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and as a result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.
- **Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations** (effective for accounting periods beginning on or after 1 January 2009). This amendment is still to be endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee share save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. This amendment is currently not relevant to the Group.

Basis of consolidation

Under IFRS 3, "Business Combinations", the acquisition of Dream Group Limited ("Dream") by Servoca Plc ("Servoca") has been accounted for as a reverse acquisition. Although the consolidated financial statements have been prepared in the name of the legal parent, Servoca, they are in substance a continuation of the financial statements of the legal subsidiary, Dream. The following accounting treatment has been applied in respect of the reverse acquisition.

- The assets and liabilities of the legal subsidiary, Dream, are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- The retained (loss) earnings recognised in the consolidated financial statements represents those of Dream to the date of the combination, 7 June 2007, and from this date to the period end represent those of Dream and Servoca;
- The equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent, Servoca, including the equity instruments issued as part of the acquisition of Dream; and
- Comparative numbers presented in the consolidated financial statements are those reported in the financial statements of the legal subsidiary, Dream, for the year ended 31 January 2007.
- The assets and liabilities of the legal parent, Servoca Plc, are recognised on combination at fair value.

Revenue

Revenue represents the fair value of consideration receivable for the provision of services to customers net of value added tax. Income from temporary placements is recognised over the duration of a period of work. Income from permanent placements is recognised at the point of acceptance by both parties when the Group's contractual obligations have been fulfilled. Training income is recognised evenly over the period of the respective course.

Business combinations

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

Goodwill

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

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

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

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

1 Accounting policies (continued)

Impairment of non-financial assets

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

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). 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 item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

Externally acquired intangible assets

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

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

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

Property, plant and equipment

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

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

Deferred taxation

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

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

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

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

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.

1 Accounting policies (continued)

Financial instruments

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

Financial assets

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

The Group's receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents

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

Financial liabilities

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

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

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

Contingent deferred consideration

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

Share capital

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

Dividends

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

Leased assets

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

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

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

Pension costs

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

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

1 Accounting policies (continued)

Share-based payments

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

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

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

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

2 First time adoption of International Financial Reporting Standards

There were no required amendments to the income statement for the year ended 31 January 2007 or to the net assets as at 1 February 2006 or 1 February 2007 as a result of the transition to IFRS from the results previously reported under UK Generally Accepted Accounting Principles.

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand. Under IFRS, cash and cash equivalents include cash at bank and in hand, highly liquid interest bearing securities with original maturities of twelve months or less, and bank overdrafts. The components of cash equivalents are shown in note 25.
- Classifying tax cash flows as relating to operating activities.

3 Employees

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**1,785**	1,326
Social security costs	**214**	151
Pension contributions	**17**	13
	2,016	1,490

The average monthly number of employees, including directors, during the period was as follows:

	Number	**Number**
Operations	**15**	2
Sales	**123**	27
Financial and administration	**28**	3
	166	32

4 Directors' remuneration

Total remuneration was as follows:

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Salaries and benefits	**278**	341
Amounts paid to 3rd parties for directors' services	**10**	–
Pension contributions	**10**	10
	298	351
Remuneration of the highest paid director:		
Emoluments	**175**	218
Pension contributions	**4**	5
	179	223

During the period, three directors had benefits accruing under defined contribution pension schemes (year ended 31 January 2007: two).

5 Loss per share

The calculation of loss per share for the period ended 30 September 2007 is based on a weighted average number of shares in issue during the period of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
30 September 2007	**28,801,555**	**–**	**28,801,555**
31 January 2007	17,839,944	–	17,839,944

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

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

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

Year ended 31 January 2007	Total £'000
Loss used for basic and diluted calculation	(246)
	Pence
Basic and diluted loss per share	(1.38)

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

5 Loss per share (continued)

As stated in note 28, on the acquisitions of International Security & Surveillance Limited (ISS) and ISS Special Projects (ISS(SP)) on 7 December 2007, a further 2,479,999 ordinary 10p shares were issued as part of the consideration. Had these acquisitions taken place at the balance sheet date then the loss per share would have been as follows:

Eight months ended 30 September 2007	Total £'000
Loss used for basic and diluted calculation	**(6,902)**
Goodwill impairment	**5,271**
Loss before goodwill impairment	**(1,631)**
	Pence
Basic and diluted loss per share	**(22.06)**
Goodwill impairment	**16.85**
Basic and diluted loss per share before goodwill impairment	**(5.21)**

6 Operating loss

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Operating loss is stated after charging:		
Depreciation of tangible assets	**69**	60
Goodwill impairment (see note 10)	**5,271**	–
Amortisation of intangible assets	**2**	2
Loss on disposal of fixed assets	**13**	–
Exceptional items – due diligence costs	**–**	64
Exceptional items – development costs	**–**	233
Operating lease rentals:		
– land and buildings	**67**	–
– other	**7**	89
Audit of the Company's financial statements pursuant to legislation	**47**	12
Audit of the subsidiaries financial statements pursuant to legislation	**31**	–
Other taxation services	**23**	–
Services relating to corporate finance transactions entered into by the Company	**145**	–

Included in the above, the auditors were paid £120,000 in respect of work undertaken on the acquisition of Dream Group Limited which has been capitalised as part of the cost of investment.

7 Finance income

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Bank interest received	**11**	5
Waiver of interest payable	**297**	–
	308	5

8 Finance costs

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Bank borrowings	**20**	39
Interest on invoice discounting	**39**	45
Other borrowings	**22**	201
	81	285

9 Tax expense

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Factors affecting the current tax charge for the period/year:		
Loss on ordinary activities before taxation	**(6,902)**	(246)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (31 January 2007: 19%)	**(2,071)**	(46)
Capital allowances in excess of depreciation	**(12)**	–
Creation of tax losses	**705**	(83)
Other timing differences	**(37)**	19
Goodwill impairment	**1,581**	–
Other expenses not deductible for tax purposes	**(166)**	110
Total current tax	**–**	–

The Group has approximately £5,546,000 (31 January 2007: £411,000) of unrelieved trading losses available for offset against future taxable profits of certain Group companies

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

10 Intangible assets

	Goodwill £'000	Trademarks £'000	Total £'000
Cost or valuation			
Balance at 1 February 2006	690	5	695
Additions	–	1	1
Balance at 31 January 2007	**690**	**6**	**696**
Balance at 1 February 2007	690	6	696
Additions	–	1	1
Acquired through business combinations	6,263	–	6,263
Balance at 30 September 2007	**6,953**	**7**	**6,960**
Accumulated amortisation and impairment			
Balance at 1 February 2006	–	2	2
Amortisation for the year	–	2	2
Balance at 31 January 2007	**–**	**4**	**4**
Balance at 1 February 2007	–	4	4
Amortisation for the period	–	2	2
Impairment losses	5,271	–	5,271
Balance at 30 September 2007	**5,271**	**6**	**5,277**
Net book value			
At 1 February 2006	690	3	693
At 31 January 2007	690	2	692
At 30 September 2007	**1,682**	**1**	**1,683**

Additions to goodwill in the period are analysed further as follows:

	£'000
Acquisition of Servoca Plc (note 22a)	5,271
Purchase of Windsor Recruitment & Training (note 22b)	670
Purchase of Firstpoint Healthcare (note 22c)	322
Total	**6,263**

Goodwill and impairment

Impairment

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

Multi had a historic record of significant losses and, at the time of acquisition, was also loss making with little or no prospect in its then form of becoming profitable to any material degree, with the performance of the trading entities deteriorating. The board have considered the existence of any valuable intangible assets within Multi and have not identified any materially significant items. By definition, the £5,271,000 (as detailed in note 22a) is therefore attributed to goodwill. The directors have therefore formed the opinion that, at the date of the acquisition, the carrying value and value in use of this goodwill was negligible.

The aforementioned view is one that is consistent with that formed in respect of the goodwill associated with the trading subsidiaries of Multi as at 31 March 2007. As reported in the audited statutory accounts to that date, this goodwill was impaired by £4,183,000 to £514,000. These trading subsidiaries have continued to under-perform in the current period and therefore, in the opinion of the directors, a further impairment has occurred.

10 Intangible assets (continued)
Goodwill

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

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

Goodwill

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

	Goodwill carrying amount	
	30 September 2007 £'000	31 January 2007 £'000
Windsor Recruitment & Training Limited	**670**	–
Manorbase Limited t/a Firstpoint Healthcare	**322**	–
Dream Group Limited	**690**	690
	1,682	690

The carrying value of the goodwill in respect of Dream Group Limited and the acquisitions in the period of Windsor Training & Recruitment Limited and Firstpoint Healthcare have been determined from value in use calculations based on cash flow projections from formally approved budgets covering a 2 year period to September 2009. Cash flows beyond the 2 year budget are extrapolated using a 2% per annum growth rate. Other major assumptions are as follows:-

Discount rate	7%
Growth rate per annum in operating profit from September 2009	2%

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

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

Sensitivity to changes in assumptions

To cause the carrying value of any of the Group's business units to exceed their recoverable amount would require material and significant adverse changes in one or a number of the assumptions made. The board do not consider these to be reasonably possible changes.

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

11 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings & office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation					
Balance at 1 February 2006	–	123	84	385	592
Additions	–	–	1	39	40
Disposals	–	(43)	–	–	(43)
Balance at 31 January 2007	–	80	85	424	589
Balance at 1 February 2007	–	80	85	424	589
Additions	–	–	18	145	163
Acquired through business combinations	2	–	27	101	130
Disposals	–	(80)	(10)	(2)	(92)
Balance at 30 September 2007	**2**	**–**	**120**	**668**	**790**
Accumulated depreciation					
Balance at 1 February 2006	–	15	59	277	351
Depreciation charge for the year	–	20	6	34	60
Disposals	–	(13)	–	–	(13)
Balance at 31 January 2007	**–**	**22**	**65**	**311**	**398**
Balance at 1 February 2007	–	22	65	311	398
Depreciation charge for the period	1	10	8	50	69
Disposals	–	(32)	(2)	(1)	(35)
Balance at 30 September 2007	**1**	**–**	**71**	**360**	**432**
Net book value					
At 1 February 2006	–	108	25	108	241
At 31 January 2007	–	58	20	113	191
At 30 September 2007	**1**	**–**	**49**	**308**	**358**

The net book value of computer equipment for the Group includes an amount of £6,000 (31 January 2007: £nil) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £1,000 (Year ended 31 January 2007: £nil).

12 Details of subsidiary undertakings

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

Name	Country of incorporation and operation	Proportion of voting rights and ordinary share capital held	Nature of business
Berry Recruitment Holdings Ltd	England and Wales	100%	Holding company
Berry Medical Ltd*	England and Wales	100%	Staffing and recruitment
1st 4 Locums Ltd	England and Wales	100%	Staffing and recruitment
Dream Group Limited	England and Wales	100%	Staffing and recruitment
Windsor Training & Recruitment Limited	England and Wales	100%	Staff, recruitment and training
Manorbase Limited t/a Firstpoint Healthcare	England and Wales	100%	Staffing and recruitment
Meadow Two Plc	England and Wales	100%	Dormant

*Undertaking held indirectly by Company.

13 Trade and other receivables

	30 September 2007 £'000	31 January 2007 £'000
Due in less than one year:		
Trade debtors	**4,578**	1,102
Less: Provision for impairment of trade receivables	**(782)**	(45)
Trade debtors net	**3,796**	1,057
Other debtors	**426**	142
Prepayments and accrued income	**520**	78
	4,742	1,277

Included in other debtors is an amount of £71,000 (31 January 2007: £nil) relating to taxation and social security.

	30 September 2007 £'000	31 January 2007 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**4,742**	1,277
Cash and cash equivalents	**99**	–
Total financial assets classified as loans and receivables	**4,841**	1,277

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

As at 30 September 2007 trade receivables of £1,382,000 (31 January 2007: £154,000) were past due but not impaired. They relate to debts up to three months old and to customers with no default history. As a result of the two acquisitions of Windsor and Firstpoint from administrators, there was uncertainty over the recoverability of some of the older trade receivables purchased and provisions were made against these older debts (of which £665,000 is over three months old).

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

13 Trade and other receivables (continued)

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

	30 September 2007 £'000	31 January 2007 £'000
At beginning of the period	**45**	–
Acquired on acquisitions	**677**	–
Provided during the year	**60**	45
	782	45

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

14 Trade and other payables

	30 September 2007 £'000	31 January 2007 £'000
Trade creditors	**685**	55
Other taxation and social security	**988**	294
Other creditors	**389**	10
Accruals and deferred income	**1,315**	120
	3,377	479

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

15 Other financial liabilities – current

	30 September 2007 £'000	31 January 2007 £'000
Invoice discounting facility	**2,248**	676
Obligations under finance leases (see note 18)	**7**	–
Deferred consideration	**150**	–
Discounted bond	**–**	1,428
Loans	**–**	500
	2,405	2,604

On 7 June 2007, the loan from Retro Grand Limited and the discounted bonds from Seraffina Holdings Limited were converted into ordinary shares of 0.001p each. Interest due on the discounted bond to 31 December 2004 was capitalised and interest since that date was waived. Interest on the Retro Grand Loan was charged at 3% above the bank base rate and was paid on a regular basis.

Bank overdraft of £80,000 (31 January 2007: £753,000) was secured over certain assets of the group. Invoice discounting facilities of £2,248,000 (31 January 2007: £676,000) are secured by a charge over the borrowing company's book debts. Interest during the period is payable on these instruments at varying rates above the bank's base rate.

16 Non-current financial liabilities

	30 September 2007 £'000	31 January 2007 £'000
Obligations under finance leases (see note 18)	**7**	–
Discounted bonds (see note 15)	**–**	620
Deferred consideration	**150**	–
	157	620

17 Leases

Finance leases

The Group leases some of its computer equipment (net carrying value £6,000 (31 January 2007 £nil)). Such assets are generally classified a finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments and present value 30 September 2007 £'000	Minimum lease payments and present value 31 January 2007 £'000
Not later than one year	**7**	–
Later than one year and not later than five years	**7**	–
	14	–

18 Financial instruments

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

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

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

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

Further information on borrowings and financial instruments is contained in notes 15 and 16 to the financial statements.

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

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

Principal financial instruments

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

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

General objectives, policies and processes

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

The Group's exposure to risk and the policies in respect of risk have changed during the period. The comparative figures at 31 January 2007 are represented by those of Dream Group Limited, a privately owned company at that date, which relied heavily on loans and discounted bonds from two investors. These loans and discounted bonds were capitalised prior to the reverse acquisition and shares in Servoca Plc were issued as part of the consideration of the acquisition. As the Company is now listed on AIM, the Group's working capital is financed largely by invoice discounting facilities within each subsidiary.

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

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

18 Financial instruments (continued)

Credit risk

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

At the balance sheet date there were no significant concentrations of credit risk, other than as disclosed in note 13.

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

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

Quantitative disclosures of the credit risk exposure in relation to trade and other receivables, which are neither past due nor impaired, are disclosed in note 13.

Interest rate risk

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

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

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

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

	Fixed rate borrowings £'000	Floating rate borrowings £'000	Interest free borrowings £'000	Total £'000
At 30 September 2007				
Bank borrowings	**–**	**80**	**–**	**80**
Finance leases	**14**	**–**	**–**	**14**
Invoice discounting facilities	**–**	**2,248**	**–**	**2,248**
Deferred consideration	**–**	**–**	**300**	**300**
	14	**2,328**	**300**	**2,642**
At 31 January 2007				
Bank borrowings	–	753	–	753
Invoice discounting facilities	–	676	–	676
Discounted bonds	–	2,047	–	2,047
Other loans	–	500	–	500
	–	3,976	–	3,976

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

All of the Group's borrowings are in sterling.

18 Financial instruments (continued)

Interest rate risk (continued)

At 30 September 2007, if interest rates on the above floating rate borrowings had been 1 basis point higher with all other variables held constant, loss after tax for the period would have been £7,000 (year ended 31 January 2007: £42,000) higher.

The directors consider that 1 basis point is the maximum likely change to Sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

	30 September 2007 Book value £'000	**30 September 2007 Current value £'000**	31 January 2007 Book value £'000	31 January 2007 Current value £'000
Overdraft and invoice discounting	**(2,328)**	**(2,328)**	(1,429)	(1,429)
Deferred consideration	**(300)**	**(300)**	–	–
Other loans	**–**	**–**	(2,547)	(2,547)

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

Liquidity risk

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

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

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

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

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

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

	Less than 1 year £'000	Between 1 and 2 years £'000
Trade and other payables	479	–
Overdraft and invoice discounting	1,429	–
Discounted bonds	1,428	620
Loans	500	–
At 31 January 2007	3,836	620

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

18 Financial instruments (continued)

Undrawn facilities

The Group has the following undrawn committed borrowing facilities available to it:

	30 September 2007 £'000	31 January 2007 £'000
Expiring within one year	**1,419**	48

Capital management policy

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

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

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

19 Provisions

	Provision for business restructuring £'000	National insurance on share options £'000	Total £'000
At 1 February 2007	–	–	–
Acquisition of subsidiary undertakings	714	13	727
Released in the period	(234)	–	(234)
At 30 September 2007	**480**	**13**	**493**
Due within one year or less	285	–	285
Due after more than one year	195	13	208
	480	**13**	**493**

The restructuring provision was one that was set up by Servoca Plc and its then subsidiaries in the consolidated financial statements for the year ended 31 March 2007. In February 2007, the Board embarked on a detailed strategic review of the business and implemented a significant restructuring and cost cutting exercise. As part of this procedure, a provision was made for restructuring costs which was largely made up of salaries, termination costs and provisions for vacant property costs. At the date of the acquisition of Dream Group Ltd, the remaining balance on this provision was £714,000.

The provision for restructuring that falls due after more than one year relates to vacant property costs during the remaining lease terms.

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

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

20 Called up share capital

Servoca Plc

	30 September 2007 Number	30 September 2007 £'000	31 March 2007 Number	31 March 2007 £'000
Authorised:				
Ordinary shares of 0.1p each	–	–	1,313,509	1,314
Ordinary shares of 10p each	**60,000**	**6,000**	–	–
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Allotted, issued and fully paid:				
Ordinary shares of 0.1p each	–	–	544,705	545
Ordinary shares of 10p each	**39,307**	**3,931**	–	–
Preference shares of £1 each	–	–	–	–

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

Dream Group Limited

	30 September 2007 Number	30 September 2007 £'000	31 January 2007 Number	31 January 2007 £'000
Authorised:				
Ordinary shares of 0.001p each	**100,000**	**1,000**	100,000	1,000
Allotted, issued and fully paid:				
Ordinary shares of 0.001p each	**29,862**	**299**	14,811	148

Movements in issued share capital	Ordinary shares of 0.001p each Number '000	Ordinary shares of 0.001p each £'000	Ordinary shares of 0.1p each Number '000	Ordinary shares of 0.1p each £'000	Ordinary shares of 10p each Number '000	Ordinary Shares of 10p each £'000
Issued:						
In issue at 1 February 2007	14,811	–	–	–	–	–
Loans converted to shares	15,052	–	–	–	–	–
Reverse acquisition	(29,863)	–	544,705	545	–	–
Consolidation (see below)	–	–	(544,705)	(545)	5,447	545
Issued during period	–	–	–	–	33,860	3,386
In issue at 30 September 2007	**–**	**–**	**–**	**–**	**39,307**	**3,931**

On 7 June 2007, 15,051,724 ordinary shares of 0.001p each in Dream Group Limited were issued at 15p each. The consideration for these were the balances outstanding on the loans from Retro Grand Limited and the discounted bond from Seraffina Holdings Limited on that date.

On the same date, Servoca Plc simplified its share structure by consolidating every one hundred ordinary shares of 0.1p each into one ordinary share of 10p each. Following this consolidation 5,447,048 ordinary shares of 10p each were in issue.

On the same date, the Company raised £4 million, before expenses, through a placing of 16,000,000 ordinary shares of 10p each at a price of 25p per share.

As part of the acquisition costs of Dream Group Limited, the Company issued 17,839,944 ordinary shares of 10p each

On 8 June 2007, Conditional Share Award Agreements were entered into between the Company and certain employees in respect of 1,600,000 ordinary shares of 10p each. The agreements required the 1,600,000 ordinary shares of 10p each to be fully paid which was contrary to the understanding between the Company and the relevant employees. These 1,600,000 ordinary shares of 10p were entered onto the Company share register. The Company has been advised that in the circumstances the Conditional Share Awards of the 8 June 2007 can be treated as null and void. The Company has accordingly applied to the Registrars to have the 1,600,000 ordinary shares of 10p removed from the share register. The number of shares in issue at 30 September 2007 exclude the 1,600,000 ordinary shares of 10p each.

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

20 Called up share capital (continued)

Share options

At 30 September 2007 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	100p	17/11/03	17/11/04	16/11/09	25,000
4	25p	28/09/07	28/07/09	28/07/17	1,600,000

In accordance with IFRS 2 "Share-based payment", employee share options granted after 7 November 2002 that had not vested by 1 February 2006 are required to be fair valued at the date of grant and the resulting charge expensed through the profit and loss account over the vesting period. The directors have calculated the cumulative charge required under IFRS 2 and consider this amount to be immaterial to these financial statements and thus no adjustment has been made.

21 Reserves

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

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

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

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

22 Acquisitions

(a) Dream Group Limited

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

Under IFRS 3 and the AIM Rules, the acquisition was classified as a reverse take over and as a consequence, as stated in note 1, the figures produced below represent the transaction as if Dream Group Limited acquired Servoca Plc and its subsidiaries on the same date.

Details of the book and fair value (subject to impairment of goodwill disclosed in note 10) of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

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

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

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

22 Acquisitions (continued)

(b) Windsor Recruitment & Training Limited

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

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

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

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

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

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

The following factors have contributed to the recognition of goodwill:

- The acquired workforce
- The expected synergies from acquisition

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

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

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

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

22 Acquisitions (continued)

(c) Firstpoint Healthcare

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

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

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

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

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

The following factors have contributed to the recognition of goodwill:

- The acquired workforce
- The expected synergies from acquisition

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

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

23 Segmental analysis

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

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

The Education segment provides recruitment services to the Education sector.

The Secure Solutions segment provides recruitment, training and outsourcing to the Security sector.

	Medical and Care Recruitment segment £'000	**Education Recruitment segment £'000**	**Secure Solutions segment £'000**	**Unallocated £'000**	**Total £'000**
For the eight months ended 30 September 2007:					
Turnover	4,107	2,888	1,743	–	**8,738**
Segment expense	(9,802)	(2,406)	(2,272)	(1,387)	**(15,867)**
Operating (loss)/profit	(5,695)	482	(529)	(1,387)	**(7,129)**
Interest expense	–	–	–	(81)	**(81)**
Finance income	–	–	–	308	**308**
(Loss)/profit	(5,695)	482	(529)	(1,160)	**(6,902)**
Balance sheet					
Assets	4,330	1,037	626	889	**6,882**
Liabilities	(4,424)	(655)	(445)	(1,273)	**(6,797)**
Net assets/(liabilities)	(94)	382	181	(384)	**85**
Other					
Capital expenditure	6,486	44	27	–	**6,557**
Depreciation and amortisation	32	24	13	2	**71**
Goodwill impairment	5,271	–	–	–	**5,271**

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

	Medical and Care Recruitment segment £'000	Education Recruitment segment £'000	Secure Solutions segment £'000	Unallocated £'000	Total £'000
For the year ended 31 January 2007:					
Turnover	1,828	4,004	2,312	–	8,144
Segment expense	(1,722)	(3,435)	(2,299)	(824)	(8,280)
Other income	–	–	–	170	170
Operating profit/(loss)	106	569	13	(654)	34
Interest expense	–	–	–	(285)	(285)
Finance income	–	–	–	5	5
(Loss)/profit	106	569	13	(934)	(246)
Balance sheet					
Assets	485	1,062	613	–	2,160
Liabilities	(1,000)	(2,191)	(1,265)	–	(4,456)
Net liabilities	(515)	(1,129)	(652)	–	(2,296)
Other					
Capital expenditure	9	20	11	1	41
Depreciation and amortisation	13	30	17	2	62

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

24 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 total future of minimum lease payments are due as follows:

	30 September 2007 Land and buildings £'000	**30 September 2007 Other £'000**	31 January 2007 Land and buildings £'000	31 January 2007 Other £'000
Not later than one year	**65**	**1**	60	–
Later than one year but not later than five years	**161**	**6**	2	–
Later than five years	**13**	**–**	–	–
	239	**7**	62	–

25 Notes to the consolidated cash flow statement

Cash and cash equivalents comprise

	Eight months ended 30 September 2007 £'000	Year ended 31 January 2007 £'000
Cash available on demand	**99**	–
Overdrafts	**(80)**	(753)
Invoice discounting facilities	**(2,248)**	(676)
	(2,229)	(1,429)
Cash and cash equivalents at beginning of period	**(1,429)**	(1,720)
Net cash (decrease)/increase in cash and cash equivalents	**(800)**	291

26 Pensions

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

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

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

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

27 Related party transactions

Management charges of £80,000 (year ended 31 January 2007: £120,000) and £nil (31 January 2007: £50,000) were made to Day to Day Teachers Limited and Thedoghouse.co.uk Limited respectively during the period. D J Browne is a director of both these companies.

Expenses paid during the period on behalf of Day to Day Teachers Limited and Thedoghouse.co.uk Limited were £nil (31 January 2007: £1,402,000) and £nil (31 January 2007: £83,000) respectively. No balances remained outstanding at either period end except for £22,000 in respect of Thedoghouse.co.uk Limited at 31 January 2007.

During the year, Darren Browne, Miles Davis and Tony Rogers all purchased a motor vehicle from the company. The total amount paid in respect of all the vehicles was £35,000 which was the total market value of the vehicles at that time.

As mentioned in notes 15 and 16, a discounted bond and a loan from two shareholders, Seraffina Holdings Limited and Retro Grand Limited respectively were converted into share capital of Dream Group Limited on 7 June 2007. The balance on the loans capitalised at this date was £2,249,000. Interest due on the Seraffina bond since 31 December 2004 amounting to £297,000 was waived.

28 Subsequent events

(a) Cancellation of share premium account and capital redemption reserve

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

(b) Acquisition of ISS and ISS(SP)

On 7 December 2007, the parent company acquired the entire issued share capital of both International Security & Surveillance Limited ("ISS") and ISS Special Projects Limited ("ISS(SP)").

Details on ISS

ISS trades from two locations with its head office based in the Thames Valley and an office in Edinburgh. ISS provides security and manned guarding services. ISS has a total staff including guards of approximately 150. In the audited accounts for the year to 30 June 2007 ISS achieved a profit before tax of £27,000 on turnover of £3.47million. ISS's main clients are blue chip organisations which are based within the aviation industry and the corporate commercial markets. In addition ISS is well placed within the theatre, arts and exhibition sectors. At 30 June 2007, ISS had audited net assets of approximately £307,000.

Terms of the acquisition

Servoca paid cash consideration of £0.7 million and issued 1,337,142 Servoca fully paid ordinary shares, which at a mid price of 44.5 pence each, equates to approximately £595,000.

Details of the provisional net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash and shares issued	**1,295**
Direct costs relating to acquisition	**42**
Total purchase consideration paid	**1,337**
Provisional fair value of assets acquired (see below)	**275**
Goodwill	**1,062**

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Book and provisional fair value £'000
Cash and cash equivalents	**6**
Property, plant and equipment	**75**
Trade and other receivables	**1,024**
Trade and other payables	**(565)**
Borrowings	**(265)**
	275

On the basis that the fair value exercise regarding the acquisition of ISS is not yet finalised, which would include the identification of separable intangible assets, the directors consider that it is impracticable to disclose the fair value of the assets and liabilities acquired and the above amounts are therefore prepared on a provisional basis.

Details on ISS(SP)

ISS(SP) also trades from one location based in the Thames Valley. ISS(SP) provides intelligence led security solutions including close protection, risk management, surveillance and proactive security. ISS(SP) has a total staff of 3. The founder of ISS(SP) has agreed to remain with Servoca for a minimum of three years. In the audited accounts for the year to 30 June 2007 ISS(SP) achieved a profit before tax of £734,000 on turnover of £1.84 million. ISS(SP's) services are provided to substantial organisations based both in the UK and internationally that require confidential and low profile assignments to be undertaken. At 30 June 2007, ISS(SP) had audited net assets of approximately £159,000.

Notes forming part of the consolidated financial statements

For the eight months ended 30 September 2007

28 Subsequent events (continued)

Terms of the acquisition

Servoca will pay cash consideration of £0.87 million and will issue 1,142,857 Servoca fully paid ordinary shares, which at a mid price of 44.5 pence each, equates to approximately £509,000.

Details of the provisional net assets acquired and goodwill are as follows:

	£'000
Purchase consideration	
Cash and shares issued	**1,385**
Direct costs relating to acquisition	**45**
Total purchase consideration paid	**1,430**
Provisional fair value of assets acquired (see below)	**324**
Goodwill	**1,106**

The assets and liabilities arising from the acquisition, provisionally determined, are as follows:

	Book and provisional fair value £'000
Cash and cash equivalents	**209**
Property, plant and equipment	**27**
Trade and other receivables	**510**
Trade and other payables	**(422)**
Borrowings	**–**
	324

On the basis that the fair value exercise regarding the acquisition of ISS(SP) is not yet finalised, which would include the identification of separable intangible assets, the directors consider that it is impracticable to disclose the fair value of the assets and liabilities acquired and the above amounts are therefore prepared on a provisional basis.

(c) Acquisition of Academics

On 28 March 2008, the parent company acquired the entire issued share capital of Academics Holdings Limited ("Academics"). Academics operates as a recruitment agency and provides teachers on a temporary or permanent basis to clients in London and the Home Counties.

Terms of the acquisition

Servoca paid an initial cash consideration of £2 million on completion and a further £5 million will be payable if Academics makes £2.34 million EBITDA in the year ended 31 March 2009. This contingent deferred consideration is payable £2.35 million in cash and £2.65 million in shares in Servoca Plc. A further cash consideration is payable on completion on a pound for pound basis for net assets over £0.33 million as per the agreed completion balance sheet.

On the basis that the fair value exercise regarding the acquisition of Academics is not yet finalised, which would include the identification of the assets and liabilities acquired and the identification of separable intangible assets, the directors consider that it is impracticable to disclose the fair value of the assets and liabilities acquired.

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

Parent Company balance sheet

At 30 September 2007

	Note	30 September 2007 £'000	30 September 2007 £'000	31 March 2007 £'000	31 March 2007 £'000
Fixed assets					
Tangible assets	4		**113**		78
Investments	5		**8,294**		6,114
			8,407		6,192
Current assets					
Debtors	6	**3,137**		204	
Cash at bank and in hand		**54**		1	
		3,191		205	
Creditors: amounts falling due within one year	7	**(693)**		(679)	
Net current assets/(liabilities)			**2,498**		(474)
Total assets less current liabilities			**10,905**		5,718
Creditors: amounts falling due after more than one year	8	**(7,020)**		(6,703)	
Provisions for liabilities	9	**(213)**		(452)	
			(7,233)		(7,155)
Net assets/(liabilities)			**3,672**		(1,437)
Capital and reserves					
Called up share capital	10		**3,931**		545
Share premium account	11		**8,812**		6,512
Capital redemption reserve	11		**6,036**		6,036
Profit and loss account	11		**(15,107)**		(14,530)
Shareholders' funds/(deficit)	12		**3,672**		(1,437)

The financial statements were approved by the Board and authorised for issue on 28 March 2008.

Darren Browne
Director

Andrew Brundle
Director

The notes on pages 46 to 52 form part of these financial statements.

Notes forming part of the parent company's financial statements

For the six months ended 30 September 2007

1 Accounting policies

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

The following principal accounting policies have been applied:

Basis of preparation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice and to comply with the Companies Act 1985. They represent the Parent Company's assets and liabilities and trading results for the six months ended 30 September 2007.

Investments

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

Depreciation

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

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

Deferred taxation

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

Financial instruments

Financial instruments are recognised initially and subsequently at cost.

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

Financial liability and equity

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

Dividends

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

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

Leased assets

Finance leases

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

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

Operating leases

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

1 Accounting policies (continued)

Pension costs

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

Share-based payments

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

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

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

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

2 Employees

	Six months ended 30 September 2007 £'000	Year ended 31 March 2007 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**272**	754
Social security costs	**31**	82
Pension contributions	**3**	29
	306	865

The average monthly number of employees, including directors, during the period was as follows:

	Number	Number
Operations	**2**	2
Financial and administration	**8**	10
	10	12

Notes forming part of the parent company's financial statements

For the six months ended 30 September 2007

3 Directors' remuneration

	Six months ended 30 September 2007 £'000	Year ended 31 March 2007 £'000
Salaries and benefits	**199**	446
Amounts paid to 3rd parties for directors' services	**10**	–
Pension contributions	**6**	27
	215	473
Remuneration of the highest paid director:		
Emoluments	**115**	144
Pension contributions	**–**	13
	115	157

During the period, two directors had benefits accruing under defined contribution pension schemes (year ended 31 March 2007: one).

4 Tangible assets

	Leasehold improvements £'000	Fixtures, fittings & office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 April 2007	35	15	305	355
Additions	–	–	61	61
Disposals	–	(11)	(2)	(13)
At 30 September 2007	**35**	**4**	**364**	**403**
Depreciation				
At 1 April 2007	35	2	240	277
Charge for the period	–	1	15	16
Eliminated on disposals	–	(1)	(2)	(3)
At 30 September 2007	**35**	**2**	**253**	**290**
Net book value				
At 30 September 2007	**–**	**2**	**111**	**113**
At 31 March 2007	–	13	65	78

The net book value of the computer equipment includes an amount of £6,000 (31 March 2007: £7,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £1,000 (year ended 31 March 2007: £2,000).

5 Investments

	Subsidiary undertakings £'000
Cost	
At 1 April 2007	8,937
Additions	2,180
Disposals	–
At 30 September 2007	**11,117**
Provisions	
At 1 April 2007	2,823
Provisions in period	–
Eliminated on disposals	–
At 30 September 2007	**2,823**
Net book value	
At 30 September 2007	**8,294**
At 31 March 2007	6,114

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

6 Debtors

	30 September 2007 £'000	31 March 2007 £'000
Amounts due from group undertakings	**2,921**	–
Other debtors	**116**	181
Prepayments and accrued income	**100**	23
	3,137	204

Included in other debtors is an amount of £71,000 (31 March 2007: £10,000) relating to taxation and social security.

All amounts shown fall due for payment within one year.

7 Creditors: amounts falling due within one year

	30 September 2007 £'000	31 March 2007 £'000
Bank overdrafts (unsecured)	**60**	46
Trade creditors	**398**	402
Obligations under finance leases	**6**	3
Other creditors	**4**	53
Other taxation and social security	**89**	45
Accruals and deferred income	**136**	130
	693	679

Notes forming part of the parent company's financial statements

For the six months ended 30 September 2007

8 Creditors: amounts falling due after more than one year

	30 September 2007 £'000	31 March 2007 £'000
Obligations under finance leases	**7**	4
Amounts due to group companies	**7,013**	6,699
	7,020	6,703

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

9 Provisions for liabilities

	Provision for business restructuring £'000	National insurance on share options £'000	Total £'000
At 1 April 2007	439	13	452
Credited to the profit and loss account	(239)	–	(239)
At 30 September 2007	**200**	**13**	**213**

10 Called up share capital

	30 September 2007 Number £'000	30 September 2007 £'000	31 March 2007 Number £'000	31 March 2007 £'000
Authorised:				
Ordinary shares of 0.1p each	**–**	**–**	1,313,509	1,314
Ordinary shares of 10p each	**60,000**	**6,000**	–	–
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Allotted, issued and fully paid:				
Ordinary shares of 0.1p each	**–**	**–**	544,705	545
Ordinary shares of 10p each	**40,907**	**4,091**	–	–
Preference shares of £1 each	**–**	**–**	–	–

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

	Ordinary shares of 0.1p each Number '000	Ordinary shares of 0.1p each £'000	Ordinary shares of 10p each Number '000	Ordinary shares of 10p each £'000
Issued:				
In issue at 1 April 2007	544,705	545	–	–
Consolidation (see below)	(544,705)	(545)	5,447	545
Issued during period	–	–	33,860	3,386
In issue at 30 September 2007	**–**	**–**	**39,307**	**3,931**

On 7 June 2007, the Parent Company simplified its share structure by consolidating every one hundred ordinary shares of 0.1p each into one ordinary share of 10p each. Following this consolidation 5,447,048 ordinary shares of 10p each were in issue.

On the same date, the Parent Company raised £4 million, before expenses, through a placing of 16,000,000 ordinary shares of 10p each at a price of 25p per share.

As part of the acquisition costs of Dream Group Limited, the Parent Company issued 17,839,944 ordinary shares of 10p each.

10 Called up share capital (continued)

On 8 June 2007, Conditional Share Award Agreements were entered into between the Company and certain employees in respect of 1,600,000 ordinary shares of 10p each. The agreements required the 1,600,000 ordinary shares of 10p each to be fully paid which was contrary to the understanding between the Company and the relevant employees. These 1,600,000 ordinary shares of 10p were entered onto the Company share register. The Company has been advised that in the circumstances the Conditional Share Awards of the 8 June 2007 can be treated as null and void. The Company has accordingly applied to the Registrars to have the 1,600,000 ordinary shares of 10p removed from the share register. The number of shares in issue at 30 September 2007 exclude the 1,600,000 ordinary shares of 10p each.

Share options

At 30 September 2007 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	100p	17/11/03	17/11/03	16/11/13	90,000
1	100p	17/11/03	17/11/04	16/11/09	25,000
4	25p	28/09/07	28/09/09	28/09/17	1,600,000

In accordance with FRS 20 “Share-based payment”, employee share options granted after 7 November 2002 that had not vested by 1 April 2006 are required to be fair valued at the date of grant and the resulting charge expensed through the profit and loss account over the vesting period. The directors have calculated the cumulative charge required under FRS 20 and consider this amount to be immaterial to these financial statements and thus no adjustment has been made.

11 Share premium account and other reserves

	Share premium £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2007	6,512	6,036	(14,530)
Arising on share issues	2,403	–	–
Share issue costs	(103)	–	–
Loss for the period	–	–	(577)
At 30 September 2007	**8,812**	**6,036**	**(15,107)**

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

	Six months ended 30 September 2007 £'000	Year ended 31 March 2007 £'000
Loss for the period/year	**(577)**	(4,994)
Conversion of loan notes	**–**	3,600
Ordinary shares issued, net of expenses	**5,686**	950
Net movement in shareholders' funds	**5,109**	(444)
Opening shareholders' funds / (deficit)	**(1,437)**	(993)
Closing shareholders' funds/(deficit)	**3,672**	(1,437)

Notes forming part of the parent company's financial statements

For the six months ended 30 September 2007

13 Parent company results

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

The Parent Company's own result for the period was a loss after taxation of £577,000 (year ended 31 March 2007: loss after taxation of £4,994,000).

14 Pensions

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

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

The assets of all schemes are held separately from those of the Parent Company in independently administered funds. The pension costs charge in note 2 represents the contributions payable by the Parent Company to the two schemes for the period.

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

15 Subsequent events

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

On 7 December 2007, the Parent Company acquired the entire issued share capital of both International Security & Surveillance Limited ("ISS") and ISS Special Projects Limited ("ISS(SP)"). Details of these acquisitions can be found in note 28 to the consolidated financial statements. The company is also pleased to announce the appointment of Glenn Swaby as Managing Director of Servoca's security division.

On 28 March 2008, the Parent Company acquired the entire issued share capital of Academics Holdings Limited ("Academics"). Academics operates as a recruitment agency and provides teachers on a temporary or permanent basis to clients in London and the Home Counties. Details of this acquisition can be found in note 28 to the consolidated financial statements.

Designed and produced by Buckley Deane Wakefield

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