SERVOCA Plc

Specialist Outsourcing and Recruitment Solutions Provider

Interim report
For the six months ended 31 March 2011

Highlights

- Revenue £25.23m (March 2010 £25.64m)
- Gross profit £6.85m (March 2010 £6.92m)
- Profit before taxation (excluding share based payments and amortisation) £0.80m (March 2010 £0.95m)
- Outsourcing revenues up 93% to £8.03m (March 2010 £4.16m)
- Recruitment revenues down 20% to £17.20m (March 2010 £21.49m)
- Administrative expenses before share based payments and amortisation £5.99m (March 2010 £5.92m)
- Net Debt £2.58m (March 2010 £1.90m, September 2010 £2.96m)
- Basic EPS of 0.68p before share based payment and amortisation charges (March 2010 0.80p)

For further enquiries:

Servoca Plc	
Andrew Church, CEO	020 7747 3030
Threadneedle Communications	
Trevor Bass / Alex White	020 7653 9851
finnCap Ltd	
Geoff Nash / Ed Frisby	020 7600 1658

This document is available from the Company's website: www.servoca.com, on the "Shareholder Documents" page in the section headed "Investor Relations"

SERVOCA Plc
Interim Statement
For the six months ended 31 March 2011

Introduction

For the six months ended 31 March 2011 we are pleased to report that the Group has maintained revenues in line with the period ended 31 March 2010.

Despite a substantially reduced run rate from a section of our public sector recruitment businesses as we entered the financial year 2011, the Group has made substantial strides forward in its outsourcing activities. Revenues in this area were almost doubled and have offset the loss of revenues over the same period last year from some of the recruitment businesses.

Our statement for the year ended 30 September 2010 confirmed the Group's commitment to developing its outsourcing activities in the face of what was anticipated to remain a challenging trading environment in our public sector recruitment businesses. This involved a significant investment in developing our Security business during the first six months of this year and a key focus on growing our Domiciliary Care activities. We have had notable success in growing our presence in the Domiciliary Care market on the back of our successful acquisition of the trade and assets of Phoenix Employment Services Ltd ("Phoenix"). We have also seen some promising progress in our Security division that should yield an improved level of profitability in the second half.

The focus on developing our outsourcing activities has proved important in mitigating the impact of what remains a challenging trading environment in our recruitment businesses. The progress made in our Domiciliary Care activities has been significant.

Financial review

During the six months to 31 March 2011, revenues were £25.23m (March 2010: £25.64m) which resulted in a small reduction in gross profit from £6.92m in the six months to 31 March 2010 to £6.85m in the current period.

The profit before tax, share based payments and amortisation was £0.80m (March 2010: £0.95m).

Basic earnings per share for the period to 31 March 2011 were 0.47p (March 2010: 0.60p).

Net debt at 31 March 2011 was £2.58m (March 2010: £1.90m).

Operational highlights

Strategy and delivery

During the period the Group has focused on the development of its outsourcing activities and this remains the focus going forward. The Group has been encouraged by the progress made in its Domiciliary Care activities and sees this as the key area for further development.

In the current period we have revised the structure of the segmental reporting to report on the two areas which our business is now split into – Outsourcing and Recruitment. This better reflects the spread of the business going forward and the way in which the Board now reviews the performance.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2011

Operational highlights (continued)
Outsourcing:

Our outsourcing activities are primarily based in two areas; Domiciliary Care and Security.

Our **Domiciliary Care** service involves the delivery of care to users in their own homes. The nature of the care provided ranges in complexity with much of our supply focused on those users requiring continuing care for on-going medical conditions.

The acquisition of Phoenix towards the end of the previous financial year has been integrated successfully into our existing operations and trading from this business is considerably ahead of expectations. We have seen strong demand for our services and as a consequence we have already expanded the branch network beyond that which we anticipated at the start of the year. The return on investment from the new branches has been swift and they are already profitable.

The majority of our uplift in outsourcing revenues is from our Domiciliary Care activities and the Group is confident that this performance should continue into the second half.

New management was appointed in our **Security** business for the start of the current financial year with the aim of improving our service offering in this market and positioning the business for improved profitability.

Our service offering incorporates traditional manned guarding, event security, corporate investigations and a growing presence in the sale of specialist security products to the retail industry in particular.

The business has made more progress in some areas than others with manned guarding progress lagging behind the other divisions. However, revenues for the first half are up by 32% across the business and encouragingly we have successfully entered two new markets in event security and security products. We now supply security to several high profile events, including a number of prominent football clubs on an on-going basis. We have also secured a number of exclusive contracts to supply unique and in some cases market leading security products, largely to the retail industry. The value of these contracts may be substantial in the medium term.

The investment made in the first half will yield an improved level of profitability in the second half with the contracts secured in our products area starting after the period close.

Recruitment:

Our recruitment businesses supply into the **Healthcare, Education and Police** markets.

In our **Healthcare** operations performance has been as expected with the profitability in our **Doctors** supply businesses well down on last year but with our **Nursing** revenues maintained and bottom line profitability improved.

As indicated in our statement for the year ended 30 September 2010 the doctors businesses entered the financial year 2011 with a substantially reduced run rate. This has led to a 30% reduction in revenues in the first half of this year compared to the last. We have seen some progress in developing our supply business that is positioned on the NHS framework but with a majority of business historically supplied off framework, this has come under particular pressure. Although this area was ahead of management expectations at the half year the contribution towards Group profits is almost half that of the prior year.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2011

Operational highlights (continued)
Recruitment (continued):

Nursing has also faced a challenging trading environment but the progress made in improving the run rate of the business last year has helped sustain revenues and margin this year. The more efficient generation of these revenues has also led to a 30% uplift in the contribution towards Group profits. We are supplying more nursing hours to the NHS than ever before but profitability was hampered by a reduced demand in the first half from the private sector where margins are substantially higher. Our specialist nursing supply has fared better than general nursing. Though trading conditions are also tough, we are securing greater market share to offset reduced opportunity.

Our **Education** recruitment is channelled through two brands and supplies temporary teaching staff for both short-term cover supply and longer term assignments. We also recruit for schools seeking to appoint candidates into permanent posts.

The reduced run rate that was established for the start of the new academic year has fed through to reduced revenues which are 22% lower than for the same period last year. We have seen greater resilience in our supply focussed on short-term periods of absence but this has been overshadowed by greater pressures in our long-term and permanent supply markets. Schools are indicating they are being required to operate under reduced budgets and funding and this, allied to increased levels of candidate availability, is placing downward pressure on demand.

Despite the challenging trading conditions we have seen some encouraging progress in the placement of teachers into International posts, with a majority of our current supply focused on the Middle East. The demand for British trained teachers in International or English speaking schools across the world has been strong and we are seeing positive growth in this area. We are also focussed on expanding the more resilient short-term supply operations which have actually seen a rise in profitability.

The **Police** recruitment business continues to face challenging trading conditions but has performed with some resilience. Although revenues are down 16%, gross profit is down only 8% as a consequence of improved margins from a better business mix.

Outlook

First half profitability is ahead of management expectations though the Group believes the full year outturn is more likely to be broadly in line with market expectations.

As ever, the final month of the financial year is critical to the Group's performance with the key month of September pivotal to our Education recruitment profits. The pressures on permanent recruitment fees and longer-term temporary assignments mean we must exercise a note of caution given the inherent uncertainty present in this market. The contribution towards Group full year profits from this area during that period is significant and given current visibility we would expect some shortfall to management expectations. In the majority of our other recruitment activities performance is expected to keep pace with full year expectations.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2011

Outlook (continued)

The strong performance from our main domiciliary care activities is very encouraging and we expect this to continue in the second half. Such is the current growth and demand for our services in this area that we plan to open more branches this year and are in the process of implementing plans for the substantial expansion of this operation. In our other outsourcing market we will need to see more progress from the investment made in our Security division as we seek to secure an adequate return and position it for improved profitability in 2012.

Whilst conditions in our recruitment markets remain challenging, the better than expected performance from our domiciliary care activities bodes well. The focus in the second half continues to be the development of our outsourcing capabilities to overcome the ongoing challenge posed by our recruitment markets.

Bob Morton
Chairman
8 June 2011

Andrew Church
Chief Executive Officer
8 June 2011

Interim report for the six months ended 31 March 2011

SERVOCA Plc

Consolidated statement of comprehensive income

For the six months ended 31 March 2011

		Six months ended 31 March 2011 (unaudited)			Six months ended 31 March 2010 (unaudited)			Year ended 30 September 2010 (audited)		
	Note	**Before amortisation and share based payments £'000**	**Amortisation and share based payments £'000**	**Total £'000**	Before amortisation and share based payments £'000	Amortisation and share based payments £'000	Total £'000	Before amortisation and share based payments £'000	Amortisation and share based payments £'000	Total £'000
Continuing operations										
Revenue		**25,230**	**-**	**25,230**	25,644	-	25,644	50,154	-	50,154
Cost of sales		**(18,385)**	**-**	**(18,385)**	(18,729)	-	(18,729)	(36,114)	-	(36,114)
Gross profit		**6,845**	**-**	**6,845**	6,915	-	6,915	14,040	-	14,040
Administrative expenses		**(5,993)**	**(246)**	**(6,239)**	(5,916)	(240)	(6,156)	(11,929)	(550)	(12,479)
Operating profit		**852**	**(246)**	**606**	999	(240)	759	2,111	(550)	1,561
Finance costs		**(48)**	**-**	**(48)**	(53)	-	(53)	(104)	-	(104)
Profit before taxation		**804**	**(246)**	**558**	946	(240)	706	2,007	(550)	1,457
Tax credit		**-**	**-**	**-**	-	-	-	537	-	537
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent		**804**	**(246)**	**558**	946	(240)	706	2,544	(550)	1,994
Earnings per share:		**Pence**	**Pence**	**Pence**	Pence	Pence	Pence	Pence	Pence	Pence
- Basic	6	**0.68**	**(0.21)**	**0.47**	0.80	(0.20)	0.60	2.15	(0.46)	1.69
- Diluted	6	**0.66**	**(0.20)**	**0.46**	0.78	(0.20)	0.58	2.10	(0.46)	1.64

Interim report for the six months ended 31 March 2011

SERVOCA Plc

Consolidated statement of financial position

At 31 March 2011

	Note	31 March 2011 (unaudited) £'000	31 March 2010 (unaudited) £'000	30 September 2010 (audited) £'000
Assets				
Non-current assets				
Intangible assets		**6,800**	6,673	6,830
Property, plant and equipment		**387**	554	460
Deferred tax asset		**537**	-	537
Total non-current assets		**7,724**	7,227	7,827
Current assets				
Trade and other receivables		**8,007**	6,885	7,604
Cash and cash equivalents		**423**	306	310
Total current assets		**8,430**	7,191	7,914
Total assets		**16,154**	14,418	15,741
Liabilities				
Current liabilities				
Trade and other payables		**(5,151)**	(5,930)	(5,034)
Other financial liabilities	7	**(2,999)**	(2,036)	(3,269)
Contingent consideration		**-**	(552)	-
Corporation tax liability		**-**	(109)	-
Provisions		**(847)**	(681)	(941)
Total current liabilities		**(8,997)**	(9,308)	(9,244)
Non-current liabilities				
Other financial liabilities		**-**	(171)	(1)
Provisions		**-**	(119)	(113)
Total non-current liabilities		**-**	(290)	(114)
Total liabilities		**(8,997)**	(9,598)	(9,358)
Total net assets		**7,157**	4,820	6,383
Capital and reserves attributable to equity holders of the parent				
Called up share capital	8	**5,557**	5,557	5,557
Share premium account		**7,799**	7,802	7,799
Merger reserve		**2,772**	2,772	2,772
Reverse acquisition reserve		**(12,268)**	(12,268)	(12,268)
Own shares		**(790)**	(790)	(790)
Retained earnings		**4,087**	1,747	3,313
		7,157	4,820	6,383

SERVOCA Plc

Consolidated statement of changes in equity

For the six months ended 31 March 2011

Unaudited	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 October 2009	**5,513**	**7,078**	**2,772**	**(12,268)**	**-**	**833**	**3,928**
Changes in equity for the period ended 31 March 2010							
Profit for the period	-	-	-	-	-	706	706
Total comprehensive income for the period	-	-	-	-	-	706	706
Issue of share capital	44	746	-	-	(790)	-	-
Share issue costs	-	(22)	-	-	-	-	(22)
Share based payment transactions	-	-	-	-	-	208	208
	44	724	-	-	(790)	208	186
Balance as at 31 March 2010	**5,557**	**7,802**	**2,772**	**(12,268)**	**(790)**	**1,747**	**4,820**
Changes in equity for the period ended 30 September 2010							
Profit for the period	-	-	-	-	-	1,288	1,288
Total comprehensive income for the period	-	-	-	-	-	1,288	1,288
Share issue costs	-	(3)	-	-	-	-	(3)
Share based payment transactions	-	-	-	-	-	278	278
	-	(3)	-	-	-	278	275
Balance as at 30 September 2010	**5,557**	**7,799**	**2,772**	**(12,268)**	**(790)**	**3,313**	**6,383**
Changes in equity for the period ended 31 March 2011							
Profit for the period	-	-	-	-	-	558	558
Total comprehensive income for the period	-	-	-	-	-	558	558
Share based payment transactions	-	-	-	-	-	216	216
	-	-	-	-	-	216	216
Balance as at 31 March 2011	**5,557**	**7,799**	**2,772**	**(12,268)**	**(790)**	**4,087**	**7,157**

SERVOCA Plc

Consolidated statement of cash flows

For the six months ended 31 March 2011

	Note	**Six months ended 31 March 2011 (unaudited) £'000**	Six months ended 31 March 2010 (unaudited) £'000	Year ended 30 September 2010 (audited) £'000
Operating activities				
Profit before tax		**558**	706	1,457
Non cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and amortisation		**162**	161	321
Share based payments		**216**	208	486
Finance costs		**48**	53	104
Loss/(gain) on sale of property, plant and equipment		**6**	(11)	(11)
Movement in provisions		**(207)**	(104)	(200)
Working capital adjustments:				
(Increase)/decrease in trade and other receivables		**(271)**	1,770	1,807
Decrease in trade and other payables		**(15)**	(1,030)	(1,562)
Cash generated from operations		**497**	1,753	2,402
Corporation tax paid		**-**	(116)	(225)
Cash flows from operating activities		**497**	1,637	2,177
Investing activities				
Acquisitions, net of cash acquired		**-**	-	(1,513)
Purchase of property, plant and equipment		**(66)**	(69)	(100)
Proceeds of sale of property, plant and equipment		**-**	14	14
Net cash flows used in investing activities		**(66)**	(55)	(1,599)
Cash flows from financing activities				
Share issue costs		**-**	(22)	(25)
Repayment of loan		**(500)**	(333)	(667)
Interest paid		**(48)**	(53)	(104)
Repayment of finance lease liability		**(8)**	(28)	(36)
Net cash flows used in financing activities		**(556)**	(436)	(832)
(Decrease)/increase in cash and cash equivalents		**(125)**	1,146	(254)
Cash and cash equivalents at the beginning of the period		**(2,446)**	(2,192)	(2,192)
Cash and cash equivalents at the end of the period	9	**(2,571)**	(1,046)	(2,446)

SERVOCA Plc

Notes forming part of the financial information

For the six months ended 31 March 2011

1 Accounting periods

The accounting reference date of the Group is 30 September. The current interim results are for the six months ended 31 March 2011. The comparative interim results are those for the six months ended 31 March 2010. The comparative year end's results are for the year ended 30 September 2010.

2 Going concern

The directors have prepared trading and cash flow forecasts for the period to 30 September 2012 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

3 Financial information

The interim financial information for the six months ended 31 March 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2011 and 31 March 2010 are unaudited. The comparative figures for the year ended 30 September 2010 are not the full statutory accounts for the period. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

4 Basis of preparation and accounting policies

The interim financial statements have been prepared using the recognition and measurement principles of IFRS as endorsed for use in the European Union.

The accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2010 and no new standards or interpretations that have come in to effect in the interim period has a material impact on the results of the business.

5 Segmental information

The Group's format for reporting segment information is by business segment, being by type of service supplied. The operating divisions are organised and managed by reporting segment where applicable and by divisions within a reporting entity where necessary. The information presented is consistent with that used by the chief operating decision maker. All revenues are generated from external customers.

As a result of the increased focus on the Group's outsourcing services, the segmental reporting has been revised to reflect the new internal reporting structure. The figures for both the comparative periods have been restated into the new segments.

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

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

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the six months ended 31 March 2011:				
Revenue	8,032	17,198	-	25,230
Segment expense	(7,608)	(16,233)	(537)	(24,378)
Amortisation and share based payment expense	(11)	(68)	(167)	(246)
Operating profit/(loss)	413	897	(704)	606
Interest expense	(13)	(27)	(8)	(48)
Profit/(loss) before tax	400	870	(712)[1]	558
As at 31 March 2011:				
Assets	4,278	10,858	1,018	16,154
Liabilities	(2,787)	(5,391)	(819)	(8,997)
Net assets	1,491	5,467	199	7,157

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

5 Segmental information (continued)

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the six months ended 31 March 2010:				
Revenue	4,155	21,489	-	25,644
Segment expense	(3,994)	(20,190)	(461)	(24,645)
Amortisation and share based payment expense	(12)	(131)	(97)	(240)
Operating profit/(loss)	149	1,168	(558)	759
Interest expense	(8)	(19)	(26)	(53)
Profit/(loss) before tax	141	1,149	(584)[1]	706
As at 31 March 2010:				
Assets	2,160	11,638	620	14,418
Liabilities	(2,141)	(6,519)	(938)	(9,598)
Net assets/(liabilities)	19	5,119	(318)	4,820

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

	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the year ended 30 September 2010:				
Revenue	9,877	40,277	-	50,154
Segment expense	(9,687)	(37,607)	(749)	(48,043)
Amortisation and share based payment expense	(24)	(262)	(264)	(550)
Operating profit/(loss)	166	2,408	(1,013)	1,561
Finance costs	(22)	(37)	(45)	(104)
Profit/(loss) before tax	144	2,371	(1,058)[1]	1,457
As at 30 September 2010:				
Assets	4,150	10,776	815	15,741
Liabilities	(3,064)	(5,728)	(566)	(9,358)
Net assets	1,086	5,048	249	6,383

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

6 Earnings per share

The calculation of earnings per share for the period ended 31 March 2011 is based on a weighted average number of ordinary shares in issue during the period of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
31 March 2011 (excluding own shares) (unaudited)	**118,191,760**	**2,719,936**	**120,911,696**
31 March 2010 (unaudited)	118,191,760	2,907,050	121,098,810
30 September 2010	118,191,760	3,120,367	121,312,127

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

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

	Six months ended 31 March 2011 (unaudited) £'000	Six months ended 31 March 2010 (unaudited) £'000	Year ended 30 September 2010 (audited) £'000
Profit used for basic and diluted calculation	**558**	706	1,994
Share based payments and amortisation	**246**	240	550
Profit before share based payments and amortisation	**804**	946	2,544
	Pence	Pence	Pence
Basic earnings per share	**0.47**	0.60	1.69
Share based payments and amortisation	**0.21**	0.20	0.46
Basic earnings per share before share based payments and amortisation	**0.68**	0.80	2.15
Diluted earnings per share	**0.46**	0.58	1.64
Share based payments and amortisation	**0.20**	0.20	0.46
Diluted earnings per share before share based payments and amortisation	**0.66**	0.78	2.10

7 Other financial liabilities

	31 March 2011 (unaudited) £'000	31 March 2010 (unaudited) £'000	30 September 2010 (audited) £'000
Bank overdraft	**-**	32	23
Invoice discounting facilities	**2,994**	1,320	2,733
Obligations under finance leases	**5**	17	13
Bank loan	**-**	667	500
	2,999	2,036	3,269

8 Share capital

	31 March 2011 Number '000 (unaudited)	**31 March 2011 £'000 (unaudited)**	31 March 2010 Number '000 (unaudited)	31 March 2010 £'000 (unaudited)	30 September 2010 Number '000 (audited)	30 September 2010 £'000 (audited)
Allotted, issued and fully paid:						
Ordinary shares of 1p each	**122,591**	**1,226**	122,591	1,226	122,591	1,226
Deferred shares of 9p each	**48,120**	**4,331**	48,120	4,331	48,120	4,331
	170,711	**5,557**	170,711	5,557	170,711	5,557

The deferred shares hold no dividend rights except in the event of a winding up of the Company when the holders are entitled to the amount paid up on each share after repayment of the capital paid up on the ordinary shares and the repayment of £10,000,000 per ordinary share. On 15 April 2011, court approval was obtained to cancel and extinguish the deferred shares by way of a capital reduction (see note 11).

In May 2011, as part of the acquisition of the remaining 20% of the issued share capital of one of its subsidiary companies, the Company issued 2,984,194 ordinary shares of 1p each at 8.25p each.

9 Cash and cash equivalents

	31 March 2011 £'000 (unaudited)	31 March 2010 £'000 (unaudited)	30 September 2010 £'000 (audited)
Cash at bank	**423**	306	310
Bank overdraft	**-**	(32)	(23)
Invoice discounting facility	**(2,994)**	(1,320)	(2,733)
	(2,571)	(1,046)	(2,446)

10 Net debt

	31 March 2011 £'000 (unaudited)	31 March 2010 £'000 (unaudited)	30 September 2010 £'000 (audited)
Cash and cash equivalents	**(2,571)**	(1,046)	(2,446)
Finance lease obligations	**(5)**	(22)	(14)
Loans	**-**	(833)	(500)
	(2,576)	(1,901)	(2,960)

11 Subsequent events

On 15 April 2011, court approval was obtained for the reduction of the Company's deferred share capital and cancellation of the share premium account as at that date as per the resolutions passed at the General Meetings of the Company on 3 November 2010 and 1 March 2011.