

SERVOCA Plc
(“Servoca” or the “Group”)
Specialist Outsourcing and Recruitment Solutions Provider

Unaudited Interim Results
for the six months ended 31 March 2016

Highlights

- Revenue £34.44m (2015: £28.12m), an increase of 22.5%
- Gross profit £8.95m (2015: £7.84m), an increase of 14.2%
- Profit before taxation* up 30.0% to £1.33m (2015: £1.03m)
- Continued growth in recruitment operations with all businesses continuing to perform well
- Net Debt reduced to £1.30m (March 2015: £1.60m, September 2015: £1.98m), a reduction of 18.8%
- Basic EPS of 0.85p* (2015: 0.66p), an increase of 28.8%

* before amortisation and share based payments

Andy Church, CEO, commented:-

“As indicated in our recent trading update, continued growth has helped the Group to deliver results significantly ahead of the same period last year. Strong sales growth had led to a 30% increase in pre-tax profits. Full year profitability will benefit from the pivotal September period for our Education Recruitment business and the Group is well placed to deliver against full-year expectations.”

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

Unaudited Interim Results
SERVOCA Plc
Interim Statement
For the six months ended 31 March 2016

Introduction

We are pleased to report that for the six months ended 31 March 2016 there has continued to be a significant improvement in the performance of the Group.

The improvement was again led by our recruitment businesses which continue to perform well. Our Education, Healthcare and Criminal Justice operations all delivered growth over the same period last year.

We continue to see strong demand for our recruitment services and, having divested of our Doctors recruitment business in the first half of last year, the Group is benefitting from an improved management focus. The acquisition of A+ Teachers towards the end of the previous financial year builds on this focus and the business has been successfully integrated into the Group during the period.

Financial review

During the six months to 31 March 2016 revenues were £34.44m (2015: £28.12m), an increase of 22.5%, which resulted in a gross profit of £8.95m (2015: £7.84m), an increase of 14.2%.

Administrative expenses (before amortisation and share based payments) for the current period were £7.58m (2015: £6.78m), an increase of 11.8%.

The profit before tax (before amortisation and share based payments) increased to £1.33m (2015: £1.03m), an increase of 30.0%.

Basic earnings per share (before amortisation and share based payments) for the period to 31 March 2016 were 0.85p (2015: 0.66p), an increase of 28.8%.

Net debt at 31 March 2016 was £1.30m (March 2015: £1.60m, September 2015: £1.98m).

The Company is continuing with its share buy back program and at the date of this report, holds 1,131,926 shares in treasury.

Operational highlights

Strategy and delivery

The focus during the period has remained the development of the Group's capabilities in those areas that the Board believes afford good growth opportunities.

Outsourcing

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

Our **Security** business has experienced a solid start to the year achieving growth over the same period last year. The Event Security division has performed particularly well and has made a significant contribution to this growth. With a growing presence in supplying match day security to several high profile football clubs, the operation has benefitted from increased scale at a number of clients. The growth in Event Security and the focus on our Electronic security offerings continues to deliver above industry standard margins.

In our statement for the year-ended 30 September 2015 we reported that our **Domiciliary Care** business had delivered growth over the prior year despite a well publicised lack of funding in the social care sector and rising costs of supply. However, the cumulative effect of these factors has resulted in a reduction to revenues during the first half of this year compared to the same period last year. As a consequence of this we have continued to manage costs tightly in this area.

Unaudited Interim Results
SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2016

Recruitment

Our recruitment businesses supply into the Education, Healthcare and Criminal Justice markets.

Our **Education** business has again delivered growth and we continue to invest in the scale and scope of our operation. As indicated in our full-year statement for the year ended 30 September 2015, whilst school budget constraints and a shortage of candidates (particularly in certain geographic areas) continue to be a factor, demand for our services has remained strong. We now have a total of 15 office locations and sales headcount was, on average, 20% higher than the same period last year. We have continued to invest in our overseas resourcing capability in response to the increasing shortage of UK trained teaching staff. A+ Teachers, an Education recruitment business acquired towards the end of the previous financial year, has been successfully integrated. We have again invested in additional sales headcount here as we seek to exploit the opportunities available to this business as part of the Group.

Our **Healthcare** business entered the year with significant momentum and this area has accordingly delivered significant growth. We have experienced the greatest level of growth in our supply to the private sector market, predominantly supplying to Nursing and Care homes. Supply into the NHS has also continued to grow during the period despite the application of agency price caps. The business has proved well placed to retain supply arrangements as an existing supplier via approved procurement frameworks.

As indicated in our full year statement for the previous financial year, our **Police** business entered the current financial year with significantly improved momentum. We are pleased to report that this momentum has continued during the period and yielded substantial growth. The business is increasingly supplying temporary staff into the Probation sector which is achieving excellent growth.

Outlook

We continue to see strong demand for the services we supply through our recruitment businesses. Our Education and Healthcare businesses supply resource which is essential to meet the needs of a growing and ageing population. Despite some issues facing both markets, this imperative remains, and these markets remain characterised by a shortage of candidates to meet demand.

The Group continues its strategy to grow organically and by bolt-on acquisitions.

The Group remains on course and confident in delivering its expectations for the full year.

Bob Morton
Chairman
14 June 2016

Andrew Church
Chief Executive Officer
14 June 2016

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of comprehensive income
For the six months ended 31 March 2016

	Note	Six months ended 31 March 2016 (unaudited)			Six months ended 31 March 2015 (unaudited)			Year ended 30 September 2015 (audited)		
		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, share based payments and exceptional costs £'000	Total £'000
Continuing operations										
Revenue		34,435	-	34,435	28,115	-	28,115	58,778	-	58,778
Cost of sales		(25,489)	-	(25,489)	(20,279)	-	(20,279)	(41,920)	-	(41,920)
Gross profit		8,946	-	8,946	7,836	-	7,836	16,858	-	16,858
Administrative expenses		(7,578)	(55)	(7,633)	(6,780)	(59)	(6,839)	(13,781)	(186)	(13,967)
Operating profit		1,368	(55)	1,313	1,056	(59)	997	3,077	(186)	2,891
Finance costs		(35)	-	(35)	(31)	-	(31)	(59)	-	(59)
Profit before taxation		1,333	(55)	1,278	1,025	(59)	966	3,018	(186)	2,832
Tax charge		(271)	-	(271)	(204)	-	(204)	(625)	-	(625)
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent		1,062	(55)	1,007	821	(59)	762	2,393	(186)	2,207
Earnings per share:		Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
- Basic	6	0.85	(0.04)	0.81	0.66	(0.05)	0.61	1.91	(0.15)	1.76
- Diluted	6	0.84	(0.04)	0.80	0.65	(0.05)	0.60	1.89	(0.15)	1.74

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of financial position
At 31 March 2016

Note	31 March 2016 (unaudited) £'000	31 March 2015 (unaudited) £'000	30 September 2015 (audited) £'000
Assets			
Non-current assets			
	7,790	6,752	7,814
	923	651	737
	53	29	65
	8,766	7,432	8,616
Current assets			
	12,384	9,418	11,625
	137	148	103
	1,805	82	803
	14,326	9,648	12,531
	23,092	17,080	21,147
Liabilities			
Current liabilities			
	(6,541)	(4,496)	(6,368)
	(1,001)	(356)	(763)
7	(3,103)	(1,697)	(1,982)
	(10,645)	(6,549)	(9,113)
Non current liabilities			
	(37)	-	(70)
	(10,682)	(6,549)	(9,183)
	12,410	10,531	11,964
Capital and reserves attributable to equity holders of the parent			
8	1,256	1,256	1,256
	202	202	202
	2,772	2,772	2,772
	(12,268)	(12,268)	(12,268)
	20,448	18,569	20,002
	12,410	10,531	11,964

SERVOCA Plc**Consolidated statement of changes in equity**

For the six months ended 31 March 2016

Unaudited	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 October 2014	1,256	202	2,772	(12,268)	17,779	9,741
Changes in equity for the period ended 31 March 2015						
Profit for the period	-	-	-	-	762	762
Total comprehensive income for the period	-	-	-	-	762	762
Share based payment transactions	-	-	-	-	41	47
Net purchase of treasury shares	-	-	-	-	(13)	(13)
	-	-	-	-	28	28
Balance as at 31 March 2015	1,256	202	2,772	(12,268)	18,569	10,531
Changes in equity for the period ended 30 September 2015						
Profit for the period	-	-	-	-	1,445	1,445
Total comprehensive income for the period	-	-	-	-	1,445	1,445
Share based payment transactions	-	-	-	-	39	39
Purchase of treasury shares	-	-	-	-	(51)	(51)
	-	-	-	-	(12)	(12)
Balance as at 30 September 2015	1,256	202	2,772	(12,268)	20,002	11,964
Changes in equity for the period ended 31 March 2016						
Profit for the period	-	-	-	-	1,007	1,007
Total comprehensive income for the period	-	-	-	-	1,007	1,007
Share based payment transactions	-	-	-	-	31	31
Dividend paid	-	-	-	-	(374)	(374)
Purchase of treasury shares	-	-	-	-	(218)	(218)
	-	-	-	-	(561)	(561)
Balance as at 31 March 2016	1,256	202	2,772	(12,268)	20,448	12,410

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of cash flows
For the six months ended 31 March 2016

Note	Six months ended 31 March 2016 (unaudited) £'000	Six months ended 31 March 2015 (unaudited) £'000	Year ended 30 September 2015 (audited) £'000
Operating activities			
Profit before tax	1,278	966	2,832
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	173	150	303
Share based payments	31	41	80
Finance costs	35	31	59
Decrease in provisions	-	-	13
Increase in inventories	(34)	(5)	40
(Increase)/decrease in trade and other receivables	(759)	754	(1,406)
Increase/(decrease) in trade and other payables	912	(750)	319
Cash generated from operations	1,636	1,187	2,240
Corporation tax paid	(21)	-	(156)
Cash flows from operating activities	1,615	1,187	2,084
Investing activities			
Acquisitions net of cash	(772)	-	(86)
Purchase of property, plant and equipment	(335)	(126)	(335)
Purchase of intangible assets	-	-	(92)
Net proceeds on sale and purchase of subsidiaries	-	8	-
Net cash flows used in investing activities	(1,107)	(118)	(513)
Cash flows from financing activities			
Interest paid	(35)	(31)	(59)
Dividend paid	(374)	-	-
Net purchase of shares held in treasury	(218)	(13)	(64)
Net cash flows used in financing activities	(627)	(44)	(123)
(Decrease)/increase in cash and cash equivalents	(119)	1,025	1,448
Cash and cash equivalents at the beginning of the period	(1,179)	(2,627)	(2,627)
Cash and cash equivalents at the end of the period	(1,298)	(1,602)	(1,179)
9			

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 2016. The comparative interim results are those for the six months ended 31 March 2015. The comparative year end's results are for the year ended 30 September 2015.

2 Going concern

The directors have prepared trading and cash flow forecasts for the period to 30 September 2017 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 2016 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2016 and 31 March 2015 are unaudited. The comparative figures for the year ended 30 September 2015 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 2015 and no new standards or interpretations that have come into 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.

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

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

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated ¹ £'000	Total £'000
For the six months ended				
31 March 2016:				
Revenue	7,236	27,199	-	34,435
Segment expense	(7,158)	(25,339)	(570)	(33,067)
Amortisation and share based payment expense	(27)	(12)	(16)	(55)
Operating profit/(loss)	51	1,848	(586)	1,313
Interest expense	(10)	(25)	-	(35)
Profit/(loss) before tax	41	1,823	(586)	1,278
As at 31 March 2016:				
Assets	5,960	15,850	1,282	23,092
Liabilities	(2,530)	(7,158)	(994)	(10,682)
Net assets	3,430	8,692	288	12,410

¹ Unallocated includes 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 2015:				
Revenue	7,651	20,464	-	28,115
Segment expense	(7,554)	(18,998)	(507)	(27,059)
Amortisation and share based payment expense	(25)	(18)	(16)	(59)
Operating profit/(loss)	72	1,448	(523)	997
Interest expense	(8)	(23)	-	(31)
Profit/(loss) before tax	64	1,425	(523)	966
As at 31 March 2015:				
Assets	4,452	11,804	824	17,080
Liabilities	(1,360)	(4,563)	(626)	(6,549)
Net assets	3,092	7,241	198	10,531
	Outsourcing £'000	Recruitment £'000	Unallocated, £'000	Total £'000
For the year ended 30 September 2015:				
Revenue	15,201	43,577	-	58,778
Segment expense	(15,084)	(39,406)	(1,211)	(55,701)
Amortisation, share based payment expense and exceptional costs	(60)	(94)	(32)	(186)
Operating profit/(loss)	57	4,077	(1,243)	2,891
Finance costs	(16)	(43)	-	(59)
Profit/(loss) before tax	41	4,034	(1,243)	2,832
As at 30 September 2015:				
Assets	5,161	15,345	641	21,147
Liabilities	(1,712)	(6,870)	(601)	(9,183)
Net assets	3,449	8,475	40	11,964

6 Earnings per share

The calculation of earnings per share for the period ended 31 March 2016 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 2016 (unaudited)	124,635,643	1,856,358	126,492,001
31 March 2015 (unaudited)	125,359,308	1,325,092	126,684,400
30 September 2015 (audited)	125,282,960	1,856,072	127,139,032

The above number of shares is 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 2016 (unaudited) £'000	Six months ended 31 March 2015 (unaudited) £'000	Year ended 30 September 2015 (audited) £'000
Profit used for basic and diluted calculation	1,007	762	2,207
Share based payments, amortisation and exceptional costs	55	59	186
Profit before share based payments, amortisation and exceptional costs	1,062	821	2,393
	Pence	Pence	Pence
Basic earnings per share	0.81	0.61	1.76
Share based payments, amortisation and exceptional costs	0.04	0.05	0.15
Basic earnings per share before share based payments, amortisation and exceptional costs	0.85	0.66	1.91
Diluted earnings per share	0.80	0.60	1.74
Share based payments, amortisation and exceptional costs	0.04	0.05	0.15
Diluted earnings per share before share based payments, amortisation and exceptional costs	0.84	0.65	1.89

7 Other financial liabilities and provisions

	31 March 2016 (unaudited) £'000	31 March 2015 (unaudited) £'000	30 September 2015 (audited) £'000
Invoice discounting facilities	3,103	1,684	1,982
Provisions	-	13	-
	3,103	1,697	1,982

8 Share capital

	31 March 2016 Number '000 (unaudited)	31 March 2016 £'000 (unaudited)	31 March 2015 Number '000 (unaudited)	31 March 2015 £'000 (unaudited)	30 September 2015 Number '000 (audited)	30 September 2015 £'000 (audited)
Allotted, issued and fully paid:						
Ordinary shares of 1p each	125,575	1,256	125,575	1,256	125,575	1,256

The Company acquired 1,121,826 of its own shares in the period (2015: 835,103) and sold nil of its own shares in the period (2015: 760,616). The number of shares held as 'treasury shares' at the period end was 1,346,926 (2015: 225,100). The company has the right to re-issue these shares at a later date.

9 Cash and cash equivalents and net debt

	31 March 2016 £'000 (unaudited)	31 March 2015 £'000 (unaudited)	30 September 2015 £'000 (audited)
Cash at bank	1,805	82	803
Invoice discounting facility	(3,103)	(1,684)	(1,982)
Cash and cash equivalents	(1,298)	(1,602)	(1,179)
Current deferred consideration	-	-	(805)
Net debt	(1,298)	(1,602)	(1,984)