

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

Unaudited Interim Results
for the six months ended 31 March 2015

Highlights

- Revenue £28.12m (2014: £22.39m), an increase of 25.6%
- Gross profit £7.84m (2014: £6.28m), an increase of 24.8%
- Profit before taxation* up 150% to £1.03m (2014: £0.41m)
- Strong growth in recruitment operations with Education and Healthcare businesses continuing to perform exceptionally well
- Net Debt reduced to £1.60m (March 2014: £2.91m, September 2014: £2.63m), a reduction of 45%
- Basic EPS of 0.66p* (2014: 0.28p), an increase of 136%

* before amortisation and share based payments

Andy Church, CEO, commented:-

“As indicated in our recent trading update, the Group has experienced a great start to the year with results significantly ahead of the same period last year. Strong sales growth has helped to increase pre-tax profits by over 150% and the business is well positioned for continued progress.

Our Education and Healthcare recruitment operations have performed exceptionally well and carry good momentum into the second half of the year. Trading conditions across these key markets continue to remain positive and full year profitability is once again expected to significantly benefit from the pivotal September period for our Education businesses”

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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 2015

Introduction

We are pleased to report that for the six months ended 31 March 2015 we have continued to see significant improvement in the performance of the Group.

Exceptional organic growth in our revenues and gross profits from our Education and Healthcare Recruitment businesses has helped increase pre-tax profits by more than 150% over the same period last year. We are seeing strong demand for our services in both of these areas and the investment made in previous years in our internal capabilities is driving higher profitability and scale.

The Group is also benefitting from an improved management focus on those areas which the Board believe hold the greatest growth potential. With this in mind, the Group sold its Doctors recruitment business to management during November and made a small bolt-on acquisition of an Education recruitment business towards the end of February. Neither transaction was material but the Board believes profitability will continue to benefit from this focus.

Financial review

During the six months to 31 March 2015, revenues were £28.12m (2014: £22.39m), an increase of 25.6%, which resulted in a gross profit of £7.84m (2014: £6.28m), an increase of 24.8%.

Administrative expenses (before amortisation and share based payments) for the current period were £6.78m (2014: £5.84m), an increase of 16.1%.

The profit before tax, (before amortisation and share based payments) increased to £1.03m (2014: £0.41m), an increase of over 150%.

Basic earnings per share (before amortisation and share based payments) for the period to 31 March 2015 were 0.66p (2014: 0.28p), an increase of 136%.

Net debt at 31 March 2015 was £1.60m (March 2014: £2.91m, September 2014: £2.63m).

The Company is continuing with its share buy back program and at the date of this report, holds 310,100 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.

In our statement for the year-ended 30 September 2014 we reported that our **Domiciliary Care** business had seen market conditions stabilise. We also reported that the business had seen positive momentum in the second half of the year with all financial measures showing an increase on the first half. We are pleased to report that, despite the challenges still faced by reduced levels of government funding in many parts of the country, the business delivered double digit revenue and gross profit growth over the same period last year. This helped deliver a 20% increase in operating profits.

Unaudited Interim Results
SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2015

Outsourcing (continued)

Our **Security** business has experienced a solid start to the year with revenues and gross profits slightly up on the same period last year with operating profit broadly similar. The business continues to experience above industry standard margins as a consequence of our focus on our Electronic and Event Security offerings.

Recruitment

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

Our **Education** businesses continue to go from strength to strength and performance during the period was outstanding. Revenues increased by 41% over the same period last year, gross profits were up by 43% and as a consequence operating profits were significantly ahead of the period ended 31 March 2014. The operation continues to benefit from strong demand for its services and continued investment in increased sales headcount, management and new branch openings. This business area contributes significantly more scale and profitability than any other area of the Group's operations.

As reported in our statement for the year ended 30 September 2014, our **Healthcare** operation enjoyed a material improvement in profitability and a return to growth last year. The disposal of our Doctors recruitment business in the early part of this year has also enabled an improved management focus on our remaining Nursing businesses. Our Nursing operations supply into both the private and public sector and have continued to experience strong demand for their services. This has again led to an outstanding improvement in performance over the same period last year. Revenues increased by 64%, gross profits were up 70% and this resulted in another significant improvement to operating profits.

Our Education and Healthcare recruitment businesses continue to increase in scale.

Our **Police** business, which operates in a niche market, continued to see margin pressure which impacted gross profits despite revenues remaining relatively stable. It continues to make a solid contribution to the Group.

Outlook

Our Education and Healthcare recruitment businesses have enjoyed a great start to the year and carry strong momentum into the second half. As ever, full-year profitability is expected to significantly benefit from the pivotal September period for our Education businesses.

The Board remains confident in its expectations for the full year.

Bob Morton
Chairman
16 June 2015

Andrew Church
Chief Executive Officer
16 June 2015

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of comprehensive income
For the six months ended 31 March 2015

	Note	Six months ended 31 March 2015 (unaudited)			Six months ended 31 March 2014 (unaudited)			Year ended 30 September 2014 (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 and share based payments £'000	Total £'000
Continuing operations										
Revenue		28,115	-	28,115	22,385	-	22,385	48,989	-	48,989
Cost of sales		(20,279)	-	(20,279)	(16,101)	-	(16,101)	(34,785)	-	(34,785)
Gross profit		7,836	-	7,836	6,284	-	6,284	14,204	-	14,204
Administrative expenses		(6,780)	(59)	(6,839)	(5,836)	(73)	(5,909)	(12,421)	(134)	(12,555)
Operating profit		1,056	(59)	997	448	(73)	375	1,783	(134)	1,649
Finance costs		(31)	-	(31)	(38)	-	(38)	(80)	-	(80)
Profit before taxation		1,025	(59)	966	410	(73)	337	1,703	(134)	1,569
Tax charge		(204)	-	(204)	(58)	-	(58)	(346)	-	(346)
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent		821	(59)	762	352	(73)	279	1,357	(134)	1,223
Earnings per share:		Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
- Basic	6	0.66	(0.05)	0.61	0.28	(0.06)	0.22	1.08	(0.11)	0.97
- Diluted	6	0.65	(0.05)	0.60	0.28	(0.06)	0.22	1.07	(0.10)	0.97

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of financial position
At 31 March 2015

Note	31 March 2015 (unaudited) £'000	31 March 2014 (unaudited) £'000	30 September 2014 (audited) £'000
Assets			
Non-current assets			
Intangible assets	6,752	6,713	6,687
Property, plant and equipment	651	667	658
Deferred tax asset	29	162	61
Total non-current assets	7,432	7,542	7,406
Current assets			
Trade and other receivables	9,418	7,791	10,172
Inventories	148	105	143
Cash and cash equivalents	82	136	197
Total current assets	9,648	8,032	10,512
Total assets	17,080	15,574	17,918
Liabilities			
Current liabilities			
Trade and other payables	(4,496)	(3,746)	(5,156)
Corporation tax payable	(356)	-	(184)
Other financial liabilities and provisions	(1,697)	(3,060)	(2,837)
Total liabilities	(6,549)	(6,806)	(8,177)
Total net assets	10,531	8,768	9,741
Capital and reserves attributable to equity holders of the parent			
Called up share capital	8 1,256	1,256	1,256
Share premium account	202	202	202
Merger reserve	2,772	2,772	2,772
Reverse acquisition reserve	(12,268)	(12,268)	(12,268)
Retained earnings	18,569	16,806	17,779
	10,531	8,768	9,741

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

For the six months ended 31 March 2015

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 2013	1,256	202	2,772	(12,268)	16,492	8,454
Changes in equity for the period ended 31 March 2014						
Profit for the period	-	-	-	-	279	279
Total comprehensive income for the period	-	-	-	-	279	279
Share based payment transactions	-	-	-	-	47	47
Purchase of treasury shares	-	-	-	-	(12)	(12)
	-	-	-	-	35	35
Balance as at 31 March 2014	1,256	202	2,772	(12,268)	16,806	8,768
Changes in equity for the period ended 30 September 2014						
Profit for the period	-	-	-	-	944	944
Total comprehensive income for the period	-	-	-	-	944	944
Share based payment transactions	-	-	-	-	35	35
Purchase of treasury shares	-	-	-	-	(6)	(6)
	-	-	-	-	29	29
Balance as at 30 September 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	41
Purchase of treasury shares	-	-	-	-	(144)	(144)
Sale of treasury shares	-	-	-	-	131	131
	-	-	-	-	28	28
Balance as at 31 March 2015	1,256	202	2,772	(12,268)	18,569	10,531

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of cash flows
For the six months ended 31 March 2015

Note	Six months ended 31 March 2015 (unaudited) £'000	Six months ended 31 March 2014 (unaudited) £'000	Year ended 30 September 2014 (audited) £'000
Operating activities			
Profit before tax	966	337	1,569
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	150	112	298
Share based payments	41	47	82
Finance costs	31	38	80
Increase in inventories	(5)	(12)	(50)
Decrease/(increase) in trade and other receivables	754	(93)	(2,474)
(Decrease)/increase in trade and other payables	(750)	(73)	1,337
Cash generated from operations	1,187	356	842
Corporation tax paid	-	-	(3)
Cash flows from operating activities	1,187	356	839
Investing activities			
Purchase of property, plant and equipment	(126)	(150)	(304)
Proceeds of sale of property, plant and equipment	-	-	3
Net proceeds on sale and purchase of subsidiaries	8	-	-
Net cash flows used in investing activities	(118)	(150)	(301)
Cash flows from financing activities			
Interest paid	(31)	(38)	(80)
Net purchase of shares held in treasury	(13)	(12)	(18)
Net cash flows used in financing activities	(44)	(50)	(98)
Increase in cash and cash equivalents	1,025	156	440
Cash and cash equivalents at the beginning of the period	(2,627)	(3,067)	(3,067)
Cash and cash equivalents at the end of the period	(1,602)	(2,911)	(2,627)
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 2015. The comparative interim results are those for the six months ended 31 March 2014. The comparative year end's results are for the year ended 30 September 2014.

2 Going concern

The directors have prepared trading and cash flow forecasts for the period to 30 September 2016 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 2015 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2015 and 31 March 2014 are unaudited. The comparative figures for the year ended 30 September 2014 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 2014 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	Unallocated¹ £'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

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 2014:				
Revenue	7,050	15,335	-	22,385
Segment expense	(6,960)	(14,510)	(467)	(21,937)
Amortisation and share based payment expense	(27)	(29)	(17)	(73)
Operating profit/(loss)	63	796	(484)	375
Interest expense	(15)	(23)	-	(38)
Profit/(loss) before tax	48	773	(484)	337
As at 31 March 2014:				
Assets	4,129	10,628	817	15,574
Liabilities	(2,170)	(4,238)	(398)	(6,806)
Net assets	1,959	6,390	419	8,768
	Outsourcing £'000	Recruitment £'000	Unallocated: £'000	Total £'000
For the year ended 30 September 2014:				
Revenue	16,337	32,652	-	48,989
Segment expense	(16,045)	(30,135)	(1,026)	(47,206)
Amortisation and share based payment expense	(49)	(53)	(32)	(134)
Operating profit/(loss)	243	2,464	(1,058)	1,649
Finance costs	(31)	(49)	-	(80)
Profit/(loss) before tax	212	2,415	(1,058)	1,569
As at 30 September 2014:				
Assets	5,411	11,914	593	17,918
Liabilities	(2,448)	(5,467)	(262)	(8,177)
Net assets	2,963	6,447	331	9,741

6 Earnings per share

The calculation of earnings per share for the period ended 31 March 2015 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 2015 (unaudited)	125,359,308	1,325,092	126,684,400
31 March 2014 (unaudited)	125,545,638	189,593	125,735,231
30 September 2014 (audited)	125,449,031	987,232	126,436,263

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 2015 (unaudited) £'000	Six months ended 31 March 2014 (unaudited) £'000	Year ended 30 September 2014 (audited) £'000
Profit used for basic and diluted calculation	762	279	1,223
Share based payments and amortisation	59	73	134
Profit before share based payments and amortisation	821	352	1,357
	Pence	Pence	Pence
Basic earnings per share	0.61	0.22	0.97
Share based payments and amortisation	0.05	0.06	0.11
Basic earnings per share before share based payments and amortisation	0.66	0.28	1.08
Diluted earnings per share	0.60	0.22	0.97
Share based payments and amortisation	0.05	0.06	0.10
Diluted earnings per share before share based payments and amortisation	0.65	0.28	1.07

7 Other financial liabilities and provisions

	31 March 2015 (unaudited) £'000	31 March 2014 (unaudited) £'000	30 September 2014 (audited) £'000
Invoice discounting facilities	1,684	3,047	2,824
Provisions	13	13	13
	1,697	3,060	2,837

8 Share capital

	31 March 2015 Number '000 (unaudited)	31 March 2015 £'000 (unaudited)	31 March 2014 Number '000 (unaudited)	31 March 2014 £'000 (unaudited)	30 September 2014 Number '000 (audited)	30 September 2014 £'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 835,103 of its own shares in the period (2014: 150,613) and sold 760,616 of its own shares in the period (2014: nil). The number of shares held as 'treasury shares' at the period end was 225,100 (2014: 150,613). The company has the right to re-issue these shares at a later date.

9 Cash and cash equivalents and net debt

	31 March 2015 £'000 (unaudited)	31 March 2014 £'000 (unaudited)	30 September 2014 £'000 (audited)
Cash at bank	82	136	197
Invoice discounting facility	(1,684)	(3,047)	(2,824)
Net debt	(1,602)	(2,911)	(2,627)