Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements
For the year ended 30 September 2012

SERVOCA Plc
Contents

SERVOCA Plc
Corporate information

Directors

Bob Morton, FCA	Non – Executive Chairman
Andrew Church	Chief Executive Officer
Glenn Swaby, ACA	Chief Financial Officer
John Foley, ACA, Barrister	Non – Executive Director
Emma Sugarman	Non – Executive Director

Company Secretary and Registered Office
Stephen Shipley, FCA
41 Whitcomb Street
London, WC2H 7DT

Registrars
Capita IRG Plc
The Registry
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Beckenham
Kent, BR3 4TU

Company number
2641313

Country of Incorporation
United Kingdom

Nominated Adviser and Broker
FinnCap
60 New Broad Street
London, EC2M 1JJ

Legal form
Public limited company

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

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

Introduction
The year ended 30 September 2012 has been another challenging period for the Group and we are pleased to report that we have remained profitable before tax in line with the guidance issued at the half year.

Trading conditions have been most challenging in our Healthcare related activities which saw revenues fall by over £6 million due to a severe cut back in NHS spending.

As indicated in our statement for the first half of the year the trading environment and performance in the first six months led to a commensurate reduction in overheads in our Healthcare related activities as a priority and we enter the new financial year with a substantially lower cost base.

The full year performance of our Security business was positive, building on a good first half. This area continues to grow its revenues and delivered a much improved level of profitability for the Group following investment in the prior year.

Our Interim Statement referred to some early indicators that there may be an improvement in our Education recruitment markets. We also highlighted the importance of the September period and its impact on both the financial year under report and the next. We are pleased to confirm that trading conditions in the second half continued to improve and that performance met internal expectations in September.

We continue to invest in our Security and Education businesses which are showing positive momentum.

Financial review
For the year ended 30 September 2012, Group revenue was £42.5 million compared with £47.9 million (2011), a reduction of 11.3%. Gross profit for the year was £12.0 million against £13.4 million (2011), a reduction of 10.4%.

Operating profit for the year was £0.3 million (before share based payment charges and amortisation of intangibles of £0.2 million) compared with an operating profit in the prior year of £1.9 million (before share based payment charges and amortisation of intangibles of £0.4 million).

Profit before taxation (excluding share based payment charges and amortisation of intangibles) was £0.2 million (2011: £1.8 million).

Profit after taxation (excluding share based payment charges and amortisation of intangibles) was £0.1 million (2011: £1.7 million).

The basic loss per share for the year was 0.04p compared with earnings per share of 1.05p (2011) based on profit after taxation, share based payment charges and amortisation of intangibles.

Net debt increased from £2.8 million at September 2011 to £3.3 million at September 2012.

Cash generated from operations in the year was £0.1 million (2011: £0.8 million).

Operational highlights

Strategy and delivery

The focus in the period has been on developing the Group's capabilities in those areas which the Board believes will afford growth opportunities. Where businesses are faced with challenging trading conditions the Group will continue to manage overheads tightly whilst maintaining a credible capability.

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

Following some strong growth from our **Domiciliary Care** activities during 2011 we noted in our Interim Statement that this area was not immune from the spending pressures affecting the Public Sector. We reported that NHS funded care was starting to come under the same pressures we had already witnessed in Local Authority funded care. This pressure continued in the second half and there was a noticeable reduction in spend from April onwards, in line with the new budget year in the NHS and Public Sector. The NHS have continued to fund considerably fewer hours of care for the same conditions that previously attracted much greater support. As a result of this, revenues in the second half were 11% lower than in the first half, which contributed towards an overall reduction in revenues for the year.

Efforts during the year ended September 2012 were focused on trying to ensure each branch was able to supply into a variety of funding sources. We also opened two new branches in areas where we were able to secure committed demand. Despite the reduction in revenues as a result of spending pressures, margins have stabilized since the new Public Sector budget year and have been aided by several new contract wins and progress in the new branches. We have restructured overheads in the second half to meet the challenges posed by the spending pressures now evident.

Our **Security** business made solid progress on the back of the investment made during the year ended 30 September 2011. Revenues for the year were up 19% and gross profits by 32%, this turned a net loss in the prior year into a healthy profit for the current year.

The business benefitted from increased demand for guarding services during the Olympics and enjoyed a particularly strong contribution from the corporate investigations business. The continued development of a broader service offering also saw increased sales from specialist security products to the retail industry and our event security offering.

Operational highlights *(continued)*

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

As indicated in our Interim Statement, the **Healthcare** businesses continued to face a difficult trading environment. Revenues were down by 26% over the prior year and gross profits by 31%. The **Doctors** supply business was most affected with its revenues down by almost 50%, this represented over 85% of the total revenue decline across the Healthcare area. The business was restructured at the half year to reflect lower demand and the move towards more procurement through the formal NHS buying framework at reduced margins. The cost base was therefore substantially lower in the second half and helped effect a significant turnaround in its profitability.

The **Nursing** businesses again proved more resilient but were still subject to the same challenges. Our supply into the NHS in this area is all through formal procurement channels and this helped maintain revenues in the general nursing and care supply business. Revenues in this area were broadly the same as year ended 30 September 2011 but the budget pressures evident across the sector pushed gross profits down by over 14%. The specialist Nursing brand (Firstpoint) continued to be affected by the abolition of waiting list targets and the decision by many NHS Trusts to close Operating Theatres for elective surgery at weekends. This business specialises in the supply of theatre staff and the impact of these initiatives is that less surgery is taking place with less urgency over when it is performed, reducing demand for temporary staff in this area. Across our Nursing operations we have again taken action to reduce overheads in the face of these challenges.

In our **Education** operations we reported a reduction in revenues for the first half of 16% compared to the prior year but indicated that we were seeing some improvement as a result of management impact and signs of demand returning. We are pleased to report that the second half of the year cemented this view and the decline in revenues for the full year was reduced to only 7% with gross profits down by less than 4%.

Over the course of the last thirteen months we have opened three new branches and all are progressing in line with internal expectations. The September period, as discussed in the Interim Statement, was critical to the full year profits for the year ended September 2012 and in establishing a platform for the next financial year. We are pleased to report that trading in this period was positive.

Our **Police** business enjoyed a 13% increase in revenues, buoyed by improved demand as a consequence of the Olympics. As previously reported trading conditions continue to constrain growth but the business continues to deliver a solid performance.

Summary and prospects

Outlook

The Group has taken strong action to reduce overheads in its Healthcare related activities and this has helped position the business for improved profitability.

Elsewhere we have a much better picture emerging with real progress in our Security operation and most notably our Education recruitment business.

The platform established in September 2012 positions our Education recruitment business for a substantive improvement in profitability for the forthcoming financial year. Under unified management we are seeing a positive impact on our internal capabilities and anticipate further branch openings to expand our geographic coverage and fuel revenue growth.

Bob Morton
Non Executive Chairman
30 January 2013

Andrew Church
Chief Executive Officer
30 January 2013

The directors present their report together with the audited financial statements for the year ended 30 September 2012.

Principal activities and trading review
The principal activities of the Group are the provision of recruitment and outsourced services to customers in the medical, educational and security markets. The principal activity of the Company is that of a holding company.

Group revenue for the year was £42.5 million (2011: £47.9 million) which produced a gross profit of £12.0 million (2011: £13.4 million). The profit before taxation for the year, after a share based payment expense of £0.1 million and amortisation of intangible assets of £0.1 million, was £0.05 million (2011: after a share based payment expense of £0.4 million and amortisation of intangible assets of £0.1 million: £1.4 million).

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

- Revenue: this has reduced by 11.3% (2011: reduction of 4.6%)
- Gross margin percentage: 28.2% (2011: 28.0%)
- Profit before tax, share based payment expense and amortisation of intangible assets: £0.2 million (2011: £1.8 million).

Results and dividends
The consolidated statement of comprehensive income is set out on page 13 and shows the results for the year.

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

Share capital
Details of share capital are set out note 19 to the financial statements.

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

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

The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 18 to the financial statements. The board meets on a regular basis to discuss the continuing management of these risks and uncertainties and identify any new exposures as they arise.

Directors

The following directors held office since 1 October 2011:

Director	Office held
Bob Morton	Non-Executive Chairman
Andrew Church	Chief Executive Officer
Glenn Swaby	Chief Financial Officer
John Foley	Non-Executive Director
Emma Sugarman	Non-Executive Director

Directors' remuneration

	2012			2011
Director	Emoluments, compensation and benefits £'000	Pension contributions £'000	Total £'000	Total £'000
Bob Morton	35	-	35	35
Andrew Church	218	-	218	274
Glenn Swaby	132	9	141	152
John Foley	25	-	25	25
Emma Sugarman	20	-	20	20
	430	9	439	506

Interests in shares

The directors of the Company during the year and their respective beneficial interests in its issued share capital were as follows:

Director	30 September 2012 Ordinary shares of 1p each Number	1 October 2011 Ordinary shares of 1p each Number
Bob Morton	36,862,481	35,337,481
Andrew Church	1,600,000	1,600,000
Glenn Swaby	83,333	83,333
John Foley	4,860,000	4,860,000
Emma Sugarman	6,551,514	6,551,514

Andrew Church has a beneficial interest in 4.4 million ordinary shares of 1p each through the Servoca Plc Employee Benefit Trust. Further details are provided in notes 19 and 20.

Interests in share options and long term incentive plans
At the reporting date the directors then in office held options to subscribe for ordinary shares as follows:

Director	Exercise price	Date of grant	Date first exercisable	Date of expiry	Ordinary shares of 1p each at 30 September 2012
Glenn Swaby	25p	19/07/08	19/07/11	18/07/18	500,000

The mid-market price of the Company’s shares on 30 September 2012 was 3.5 pence.

The lowest mid-market price during the period from 1 October 2011 to 30 September 2012 was 3.5 pence and the highest mid-market price during the year was 6.0 pence.

Information on directors
Bob Morton, FCA – Non - Executive Chairman
Aged 70, Bob is a Chartered Accountant with substantial public company experience. He is currently Chairman of Armour Group Plc, Porta Communications Plc and St. Peter Port Capital Limited. In addition he holds directorships in several private companies.

Andrew Church – Chief Executive Officer
Aged 40, Andrew joined as the Group's Chief Executive Officer with effect from 24 November 2008. Andrew was formerly a main board director of Lorien Plc and Managing Director of its resourcing division.

Glenn Swaby, ACA – Chief Financial Officer
Aged 57, Glenn is a Chartered Accountant and has a wealth of experience within the security market and was until July 2007 the financial director of First Security Group Limited, where he played a key role in the development of the company. Glenn took over as Chief Financial Officer from 28 March 2008.

John Foley, ACA, Barrister – Non - Executive Director
Aged 57, John is a Chartered Accountant and a Barrister. He is a successful public company director having served on many boards in senior roles. He served as CEO of Maclellan Group Plc from 1994 until its disposal to Interserve Plc for £120 million during 2006. He currently holds a number of directorships in a wide range of private companies.

Emma Sugarman, Non – Executive Director
Emma Sugarman, 44, joined the Board on 16 December 2008 as an executive director. Emma was the founding director of Academics Holdings Limited and Academics Limited. Emma had built the business to a revenue approaching £15 million per annum when it was acquired by the Group in March 2008. She became a non-executive director on 15 July 2010.

Substantial shareholders
At 29 January 2013 those shareholders which had notified the Company of a disclosable interest of 3% or more in the share capital of Servoca Plc are set out below:

Holder	Ordinary shares of 1p each	Percentage
Bob Morton	36,862,481	29.35
Seraffina Holdings Limited	16,054,659	12.78
Retro Grand Limited	12,540,000	9.99
Groundlinks Limited	10,009,164	7.97
Emma Sugarman	6,551,514	5.22
John Foley	4,860,000	3.87
Servoca Plc Employee Benefit Trust	4,400,000	3.50

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 and Company represented by trade payables at 30 September 2012 was 42 days and 54 days respectively (2011: 40 days and 52 days respectively).

Donations
During the year the Group made no material charitable or political donations (2011: £nil).

Financial instruments
Details of the 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 preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations.

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

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

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

In preparing each of the group and company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern
The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer report on pages 2 to 5. In addition note 18 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. The invoice discounting facilities are subject to an annual review with a minimum notice period of six months.

The directors have prepared trading and cash flow forecasts for the period to 28 February 2014 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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

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

This report was approved by the Board of Directors on 30 January 2013 and signed by order of the Board

Stephen Shipley
Company Secretary
30 January 2013

We have audited the group and parent company financial statements ("the financial statements") on pages 13 to 60. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor
As more fully explained in the Directors' Responsibilities Statement set out on pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2012 and of the group's result for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Euan Banks (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB
30 January 2013

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2012

	Note	2012 Before amortisation and share based payments £'000	2012 Amortisation and share based payments (see note 7) £'000	2012 Total £'000	2011 Before amortisation and share based payments £'000	2011 Amortisation and share based payments (note 7) £'000	2011 Total £'000
Continuing operations							
Revenue		**42,485**	**-**	**42,485**	47,863	-	47,863
Cost of sales		**(30,508)**	**-**	**(30,508)**	(34,477)	-	(34,477)
Gross profit		**11,977**	**-**	**11,977**	13,386	-	13,386
Administrative expenses		**(11,704)**	**(162)**	**(11,866)**	(11,480)	(428)	(11,908)
Operating profit	6	**273**	**(162)**	**111**	1,906	(428)	1,478
Finance costs	8	**(65)**	**-**	**(65)**	(92)	-	(92)
Profit before taxation		**208**	**(162)**	**46**	1,814	(428)	1,386
Tax charge	9	**(96)**	**-**	**(96)**	(133)	-	(133)
Total comprehensive income/(loss) for the year, net of tax, attributable to equity holders of the parent		**112**	**(162)**	**(50)**	1,681	(428)	1,253
Earnings/(loss) per share:		**Pence**	**Pence**	**Pence**	Pence	Pence	Pence
- Basic	5	**0.09**	**(0.13)**	**(0.04)**	1.41	(0.36)	1.05
- Diluted	5	**0.09**	**(0.13)**	**(0.04)**	1.36	(0.35)	1.01

The notes on pages 17 to 50 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2012

	Note	30 September 2012 £'000	30 September 2011 £'000
Assets			
Non-current assets			
Intangible assets	10	**6,791**	6,768
Property, plant and equipment	11	**364**	393
Deferred tax asset	9	**320**	404
Total non-current assets		**7,475**	7,565
Current assets			
Trade and other receivables	13	**7,265**	7,382
Inventories		**42**	76
Cash and cash equivalents	13	**223**	366
Total current assets		**7,530**	7,824
Total assets		**15,005**	15,389
Liabilities			
Current liabilities			
Trade and other payables	14	**(3,685)**	(4,401)
Other financial liabilities and provisions	15	**(3,523)**	(3,245)
Total liabilities		**(7,208)**	(7,646)
Total net assets		**7,797**	7,743
Capital and reserves attributable to equity holders of the company			
Called up share capital	19	**1,256**	1,256
Share premium account	20	**202**	202
Merger reserve	20	**2,772**	2,772
Reverse acquisition reserve	20	**(12,268)**	(12,268)
Own shares	20	**-**	(790)
Retained earnings		**15,835**	16,571
Total equity		**7,797**	7,743

The financial statements were approved by the Board and authorised for issue on 30 January 2013.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 17 to 50 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
At 30 September 2012

	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 30 September 2010 attributable to equity holders of the parent	5,557	7,799	2,772	(12,268)	(790)	3,313	**6,383**
Profit for the year	-	-	-	-	-	1,253	**1,253**
Total comprehensive income for the year	-	-	-	-	-	1,253	**1,253**
Transactions with owners:							
Share based payment transactions (note 19)	-	-	-	-	-	367	**367**
Settlement of share based payment transaction (note 19)	-	-	-	-	-	(492)	**(492)**
Reduction in capital (note 19)	(4,331)	(7,799)	-	-	-	12,130	**-**
Issue of share capital	30	216	-	-	-	-	**246**
Share issue costs	-	(14)	-	-	-	-	**(14)**
Total transactions with owners	(4,301)	(7,597)	-	-	-	12,005	**107**
Balance as at 30 September 2011 attributable to equity holders of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**(790)**	**16,571**	**7,743**
Loss for the year	-	-	-	-	-	(50)	**(50)**
Total comprehensive loss for the year	-	-	-	-	-	(50)	**(50)**
Transactions with owners:							
Share based payment expense (note 19)	-	-	-	-	-	104	**104**
Transfer of own shares on vesting	-	-	-	-	790	(790)	**-**
Total transactions with owners	**-**	**-**	**-**	**-**	**790**	**(686)**	**104**
Balance as at 30 September 2012 attributable to equity holders of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**-**	**15,835**	**7,797**

The notes on pages 17 to 50 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2012

	Note	**30 September 2012 £'000**	30 September 2011 £'000
Operating activities			
Profit before tax		**46**	1,386
Non cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**304**	334
Share based payments		**104**	367
Finance costs		**65**	92
(Gain)/loss on sale of property, plant and equipment		**(2)**	27
Decrease in provisions		**(72)**	(955)
Decrease in inventories		**34**	76
Decrease in trade and other receivables		**117**	70
Decrease in trade and other payables		**(717)**	(632)
Other non cash movements		**189**	-
Cash generated from operations		**68**	765
Corporation tax paid		**(11)**	-
Cash flows from operating activities		**57**	765
Investing activities			
Acquisition of "B" ordinary shares in subsidiary	19	**-**	(246)
Purchase of intangible assets		**(270)**	-
Purchase of property, plant and equipment		**(244)**	(235)
Proceeds of sale of property, plant and equipment		**29**	2
Net cash flows from investing activities		**(485)**	(479)
Cash flows from financing activities			
Share issue costs		**-**	(14)
Repayment of loan		**-**	(500)
Interest paid		**(65)**	(92)
Repayment of finance lease obligations		**(1)**	(13)
Net cash flows from financing activities		**(66)**	(619)
Decrease in cash and cash equivalents	22	**(494)**	(333)
Cash and cash equivalents at beginning of the year	22	**(2,779)**	(2,446)
Cash and cash equivalents at end of the year	22	**(3,273)**	(2,779)

The notes on pages 17 to 50 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is an AIM quoted Plc incorporated and domiciled in the United Kingdom. The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

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

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

The Group financial statements have been prepared for a twelve month period to 30 September 2012 and the comparative figures represent a twelve month period to 30 September 2011.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer report on pages 2 to 5. In addition note 18 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. The invoice discounting facilities are subject to an annual review with a minimum notice period of six months.

The directors have prepared trading and cash flow forecasts for the period to 28 February 2014 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate IFRS and the Group's accounting policies:

- Useful lives of non-current assets. 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 reviewed at least annually for continued appropriateness. Changes in estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details of carrying values are shown in notes 10 and 11.
- Impairment of goodwill. Goodwill is tested for impairment annually. The recoverable amounts of relevant cash generating units are based on value in use calculations using management's best estimate of future business performance. Details of the calculations, assumptions and rates used are disclosed in note 10.

1 Accounting policies *(continued)*

Significant judgements and estimates *(continued)*

- Provision for doubtful debts. Management reviews trade receivables on a regular basis and doubtful debts are provided for on the basis of expected recoverability based on credit ratings, knowledge of the customer, market conditions and previous experience. Further details are disclosed in note 13.
- Share based payments. The fair values of options are calculated at the date of grant based on conditions existing at that time. Judgement is required in determining the most appropriate valuation model and the assumptions used to value the options for a grant of equity instruments. The assumptions and models used are disclosed in note 19.
- Provision for claims and restructuring. Where the Group has a present or potential obligation as a result of a past event, provision is made for the best estimate of the expected obligations. Details of these provisions are fully explained in note 15.
- Deferred tax asset. The recognition of a deferred tax asset is made on the basis that the recoverability of this asset is supported by assumptions on future profitability of the Group – see note 9.

Adoption of new and amended IFRS and IFRIC interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations have been adopted in these financial statements and their impact is described below:

Amendment to IAS 24 Related Party Disclosures (effective for periods commencing 1 January 2011). The amendment revised the definition of a related party, changed the disclosure in relation to outstanding balances at the balance sheet date and provided additional guidance in relation to disclosures by government related entities. The amendments have no impact on the Group.

Amendments to IFRS 7 "Disclosures – Transfers of Financial Assets" (effective for periods commencing 1 January 2011. The amendments require improved disclosure of transfer transactions of financial assets. The amendments have no impact on the Group.

Standards effective in future periods

At the date of authorisation of these financial statements, the following Standards and Interpretations, in issue but not yet effective, have not been adopted in these financial statements:

- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for periods commencing 1 July 2013)
- IFRS 9 Financial Instruments: Classification and Measurement (effective for periods commencing 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective for periods commencing 1 January 2013)
- IFRS 11 Joint Arrangements (effective for periods commencing 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective for periods commencing 1 January 2013)
- IFRS 13 Fair Value Measurement (effective for periods commencing 1 January 2013)
- IAS 1 Presentation of Financial Statements – Amendments; Presentation of items of other comprehensive income (effective for periods commencing 1 July 2012)
- Amendment to IAS 12 Recovery of Underlying Assets (effective for periods commencing January 2012)
- IAS 19 Employee Benefits – Amendments (effective for periods commencing 1 January 2013)
- IAS 27 Separate Financial Statements (as amended 2011) (effective for periods commencing 1 January 2012)

1 Accounting policies *(continued)*

Standards effective in future periods *(continued)*

- IAS 28 Investments in Associate and Joint Ventures (as amended 2011) (effective for periods commencing 1 January 2012)
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for periods commencing 1 January 2014)

There were no Standards or Interpretations which were in issue but not effective at the date of authorisation of these financial statements, including the above, that the Directors anticipate will have a material impact on the financial statements of the Group or the Company.

Basis of consolidation

The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2012.

Revenue

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

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

Revenue from permanent placements is recognised in line with contractual terms on commencement of employment.

Revenue from the sale of security products is recognised when the risks and rewards of ownership have passed to the customer, which is usually on delivery.

Business combinations

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

Goodwill

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

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to profit or loss.

1 Accounting policies ***(continued)***

Goodwill ***(continued)***

Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to profit or loss.

Impairment of non-financial assets

Goodwill is not amortised, but instead subject to annual impairment reviews. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly. Any impairment losses are recognised in profit or loss immediately. Impairment of goodwill is not subsequently reversed.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets to which the asset belongs for which there are separately identifiable cash inflows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line in the consolidated statement of comprehensive income.

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 statement of comprehensive income.

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

The significant intangibles recognised by the Group represent licences and customer relationships and they are valued at historical cost and amortised over their estimated useful lives at the following rates:

Licences	-	20% on a straight line basis or over period of licence
Customer relationships	-	between 4 and 10 years

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 a straight line basis
Office equipment	-	25% on a reducing balance basis
Motor vehicles	-	25%-33% on a reducing balance basis
Computer equipment	-	25%-33% on a straight line basis
Leasehold improvements	-	over the remaining term of lease

1 Accounting policies *(continued)*

Inventories

Inventories are represented by goods held for resale and are valued at the lower of historical cost and net realisable value.

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries 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 substantively enacted by the reporting date and are expected to apply when the deferred tax assets or liabilities are recovered or settled. Deferred tax balances are not discounted.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments

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

Financial assets

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

The Group’s financial assets comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

1 Accounting policies *(continued)*

Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Invoice discounting facilities are shown within current liabilities in the statement of financial position.

Financial liabilities and equity instruments

Invoice discounting facilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense is recognised over the period until repayment at a constant rate on the balance and the liability in the statement of financial position.

The Group operates invoice discounting facilities on its trade receivables. Advances of between 80% and 85% of the agreed balances can be drawn down in advance. Interest is payable at a prevailing commercial rate on balances drawn.

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

Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

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 are paid.

Leased assets

Where substantially all of the risks and rewards of 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 profit or loss 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 profit or loss on a straight-line basis over the lease term.

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

1 Accounting policies ***(continued)***

Pension costs

The Group operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the schemes for the year.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any virtually certain reimbursements due. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share-based payments

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

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

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

National Insurance is payable on gains made by employees on exercise of certain 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 be exercised and the prevailing rate of National Insurance at the date of exercise. The Group provides for potential National Insurance liabilities dependent upon the current market value of the shares.

2 Segmental analysis

The Group's primary 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 segment where necessary. This information is provided to the Board of Directors.

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.

	Outsourcing £'000	Recruitment £'000	Unallocated £'000	Total £'000
For the year ended 30 September 2012:				
Revenue	15,950	26,535	-	**42,485**
Segment expense	(15,624)	(25,205)	(1,383)	**(42,212)**
Amortisation and share based payment expense	(52)	(67)	(43)	**(162)**
Operating profit/(loss)	274	1,263	(1,426)	**111**
Finance costs	(26)	(39)	-	**(65)**
Profit/(loss) before tax	248	1,224	(1,426)[1]	**46**
Statement of financial position				
Assets	4,408	10,015	582	**15,005**
Liabilities	(2,439)	(4,327)	(442)	**(7,208)**
Net assets	1,969	5,688	140	**7,797**
Other				
Capital expenditure	342	129	43	**514**
Depreciation	65	39	142	**246**
Amortisation	21	37	-	**58**

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

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

2 Segmental analysis *(continued)*

	Outsourcing £'000	**Recruitment £'000**	**Unallocated £'000**	**Total £'000**
For the year ended 30 September 2011:				
Revenue	16,379	31,484	-	47,863
Segment expense	(14,997)	(29,941)	(1,019)	(45,957)
Amortisation and share based payment expense	(23)	(87)	(318)	(428)
Operating profit/(loss)	1,359	1,456	(1,337)	1,478
Finance costs	(30)	(53)	(9)	(92)
Profit/(loss) before tax	1,329	1,403	(1,346)[1]	1,386
Statement of financial position				
Assets	4,465	10,250	674	15,389
Liabilities	(2,892)	(4,380)	(374)	(7,646)
Net assets	1,573	5,870	300	7,743
Other				
Capital expenditure	129	18	88	235
Depreciation	75	64	134	273
Amortisation	23	38	-	61

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

3 Employees

	30 September 2012 £'000	30 September 2011 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**6,983**	7,450
Social security costs	**761**	810
Redundancy costs	**94**	147
Pension contributions	**40**	17
Share-based payments	**104**	367
	7,982	8,791
The average monthly number of employees, including directors, during the year was as follows:	**Number**	Number
Operations	**34**	39
Sales	**137**	133
Financial and administration	**36**	37
	207	209

4 Directors' remuneration

Total remuneration was as follows:	**30 September 2012 £'000**	30 September 2011 £'000
Salaries and benefits	**430**	497
Share based payments	**22**	313
Pension contributions	**9**	9
	461	819
Salary and benefits of the highest paid director:		
Salaries and benefits	**218**	274
Share based payments	**22**	302
Pension contributions	**-**	-
	240	576

The Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £35,000 (2011: £35,000) were made to Hawk Consulting Limited in the year for services rendered and are included in salaries and benefits in the above table.

During the year, one director had benefits accruing under defined contribution pension schemes (year ended 30 September 2011: one).

Emoluments analysed by director are summarised in the Report of the Directors on page 7.

The movement in share options held by the directors during the year was as follows:

	30 September 2012 Number '000	30 September 2011 Number '000
At the beginning and end of the year	**500**	500

In addition to the above, Andrew Church has a beneficial interest, subject to certain conditions, in 4.4 million ordinary shares through the Servoca Plc Employee Benefit Trust, which vested in the year (see notes 19 and 20).

5 Earnings/(loss) per share

The calculation of earnings/(loss) per share for the year ended 30 September 2012 is based on a weighted average number of shares in issue during the year of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
30 September 2012	**125,575,954**	**-**	**125,575,954**
30 September 2011	119,393,613	4,400,000	123,793,613

Basic earnings/(loss) per share are calculated by dividing the net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share are calculated by dividing the net profit attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. There is no dilutive effect of options for 2012 due to the Group's loss for the year.

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

Year ended 30 September 2012	**Basic £'000**	**Diluted £'000**
Loss for the year	**(50)**	**(50)**
Amortisation and share based payment expense:		
Amortisation of intangible assets	**58**	**58**
Share based payment expense	**104**	**104**
Profit before amortisation and share based payments	**112**	**112**
	Pence	**Pence**
Loss per share	**(0.04)**	**(0.04)**
Amortisation and share based payment expense:		
Amortisation of intangible assets	**0.05**	**0.05**
Share based payment expense	**0.08**	**0.08**
Adjusted earnings per share before amortisation and share based payments	**0.09**	**0.09**

5 Earnings per share *(continued)*

Year ended 30 September 2011	Basic £'000	Diluted £'000
Profit for the year	1,253	1,253
Amortisation and share based payment expense:		
Amortisation of intangible assets	61	61
Share based payment expense	367	367
Profit before amortisation and share based payment expense	1,681	1,681

	Pence	Pence
Earnings per share	1.05	1.01
Amortisation and share based payment expense:		
Amortisation of intangible assets	0.05	0.05
Share based payment expense	0.31	0.30
Adjusted earnings per share before amortisation and share based payment expense	1.41	1.36

6 Operating profit

	30 September 2012 £'000	30 September 2011 £'000
Operating profit is stated after charging or (crediting):		
Depreciation of property, plant and equipment	**246**	273
Amortisation of intangible assets	**58**	61
Share based payment expense	**104**	367
(Profit)/loss on disposal of property, plant and equipment	**(2)**	21
Operating lease rentals:		
- land and buildings	**450**	436
- other	**104**	79
Remuneration to auditors:		
- Audit of the Company's financial statements pursuant to legislation	**20**	20
- Audit of the subsidiaries' financial statements pursuant to legislation	**49**	37
- Other taxation compliance services	**12**	19
- Other advisory services	**9**	8

6 Operating profit (continued)

Analysis of expenses by nature	**30 September 2012 £'000**	30 September 2011 £'000
Direct cost of temporary placements	**29,655**	34,182
Staff costs	**7,982**	8,791
Cost of inventory	**853**	295
Depreciation and amortisation	**304**	334
Property costs	**1,092**	1,047
Others	**2,553**	1,828
	42,439	46,477

7 Amortisation and share based payments

	30 September 2012 £'000	30 September 2011 £'000
Amortisation of intangible assets	**58**	61
Share based payments	**104**	367
	162	428

8 Finance costs

	30 September 2012 £'000	30 September 2011 £'000
Bank borrowings	**-**	7
Invoice discounting facilities	**65**	82
Other borrowings	**-**	3
	65	92

9 Taxation

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

	30 September 2012 £'000	30 September 2011 £'000
Current income tax		
UK – current year	**-**	-
UK- prior years	**12**	-
	12	-
Deferred tax		
Origination and reversal of temporary differences	**82**	133
Prior year adjustment	**(30)**	-
Impact of change in tax rates	**32**	-
	84	133
Income tax charge	**96**	133

b) Reconciliation of the total tax charge

A reconciliation between the tax charge and the product of the accounting profit multiplied by the tax rate for the years ended 30 September 2012 and 2011 is as follows:

	30 September 2012 £'000	30 September 2011 £'000
Profit before taxation	**46**	1,386
Profit before taxation multiplied by the average rate of corporation tax in the UK of 25% (2011: 27%)	**11**	374
Expenses not deductible for tax purposes	**82**	95
Other temporary differences on which deferred tax not recognised	**(5)**	31
Adjustment in respect of prior periods	**(18)**	-
Change in tax rates	**26**	-
Recognition of previously unrecognised deferred tax on historical tax losses	**-**	(367)
Total tax charge reported in the consolidated statement of comprehensive income	**96**	133

The Group has approximately £1,390,000 (2011: £1,565,000) of unrelieved trading losses available for offset against future taxable profits of certain Group companies. The directors believe that the forecasts of future taxable profits are reasonable and attainable and it is therefore appropriate to provide for the deferred tax asset.

9 Taxation *(continued)*

c) Deferred tax

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

	30 September 2012 £'000	30 September 2011 £'000
As at 1 October 2011	**404**	537
Benefit arising from previously unrecognised tax losses	**5**	367
Utilisation of recognised tax losses	**(89)**	(500)
As at 30 September 2012	**320**	404

The recognition of the deferred tax asset in relation to losses is considered to be appropriate as the recoverability of this asset is supported by the expected level of future profits in the entities concerned.

d) Unrecognised deferred tax

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

	30 September 2012 £'000	30 September 2011 £'000
Capital losses for offset against future capital gains	**1,876**	2,008

e) Factors affecting future tax charges

In the emergency budget of June 2010, the Chancellor set out his long term plan for corporation tax rates. Over a period of time the main rate will be reduced to 22%.

The main rate of corporation tax for the 2013 financial year will be reduced to 23%. As this rate was substantively enacted at the statement of financial position date, the deferred tax asset recognised in respect of tax losses have been measured at the reduced rate.

The planned reduction to 22% in future years will reduce the potential future value of the deferred tax asset not recognised for the items set out above in parts b) and c) of this note. For each % enacted, the deferred unrecognised tax asset would be reduced by approximately £14,000 (2011: £20,000).

10 Intangible assets In

	Goodwill £'000	Licences £'000	Customer relationships £'000	Trademarks £'000	Total £'000
Cost					
Balance at 1 October 2010	14,924	77	294	7	15,302
Disposals in year	-	-	-	(7)	(7)
Balance at 30 September 2011	**14,924**	**77**	**294**	**-**	**15,295**
Balance at 1 October 2011	**14,924**	**77**	**294**	**-**	**15,295**
Additions in year	-	270	-	-	270
Reclassification	(189)	-	-	-	(189)
Balance at 30 September 2012	**14,735**	**347**	**294**	**-**	**15,376**
Accumulated amortisation and impairment					
Balance at 1 October 2010	**8,279**	**15**	**172**	**6**	**8,472**
Amortisation for the year	-	15	46	-	61
Eliminated on disposal	-	-	-	(6)	(6)
Balance at 30 September 2011	**8,279**	**30**	**218**	**-**	**8,527**
Balance at 1 October 2011	8,279	30	218	-	8,527
Amortisation for the year	-	15	43	-	58
Balance at 30 September 2012	**8,279**	**45**	**261**	**-**	**8,585**
Net book value					
At 1 October 2010	6,645	62	122	1	6,830
At 30 September 2011	6,645	47	76	-	6,768
At 30 September 2012	**6,456**	**302**	**33**	**-**	**6,791**

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

	30 September 2012 £'000
Academics Limited	**5,334**
Others	**1,122**
	6,456

10 Intangible assets *(continued)*

Goodwill

In assessing the extent of any impairment to goodwill, value in use calculations are based on cash flow projections from formally approved budgets covering a one year period to September 2013 and estimates for subsequent years. The key assumptions in the value in use calculations are:

- Forecasts are based on pre tax cash flows derived from the approved budget to September 2013. These have been prepared based on management's past experience taking into account future expectations. Management believe that these forecasts are reasonably achievable;

- The revenue growth estimates for future years are extrapolated at 5% (2011: 5%) per annum for the first year and 2% thereafter (2011: 2%). This is based on the Group's estimate of the long term growth rate of the recruitment sector based on management's experience of the sector. Gross margin percentage is assumed to remain constant; and

- The pre tax discount rate used is based on the estimated weighted average cost of capital of 11.4% (2011: 13.1%).

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

Sensitivity to changes in assumptions

The value in use of the Academics Limited CGU exceeds its carrying amount by £6.6 million (2011: £1.7 million). Sensitivity analysis has been completed on each key assumption in isolation, and this indicates that the value in use of the division will be equal to its carrying amount following a reduction in gross margin of 7 percentage points (2011: 3 percentage points), an increase in the discount rate of 14 percentage points (2011: 5 percentage points) or a reduction in revenue growth rates of 26 percentage points (2011: 10 percentage points). These sensitivities equate to a reduction in the CGU's gross margin of £4.7 million (2011: £2.5 million) and revenues of £10 million (2011: £7 million).

Similar sensitivities have been applied to the four other smaller CGUs and the values in use far exceed their carrying values.

11 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost					
Balance at 1 October 2010	**256**	**16**	**228**	**1,053**	**1,553**
Additions	30	72	24	109	235
Disposals	(89)	(1)	(2)	(6)	(98)
Balance at 30 September 2011	197	87	250	1,156	1,690
Balance at 1 October 2011	197	87	250	1,156	1,690
Additions	8	7	27	202	244
Disposals	-	(56)	-	-	(56)
Balance at 30 September 2012	**205**	**38**	**277**	**1,358**	**1,878**
Accumulated depreciation					
Balance at 1 October 2010	**131**	**15**	**128**	**819**	**1,093**
Depreciation charge for the year	63	12	34	164	273
Disposals	(67)	-	(2)	-	(69)
Balance at 30 September 2011	127	27	160	983	1,297
Balance at 1 October 2011	127	27	160	983	1,297
Depreciation charge for the year	67	26	29	124	246
Disposals	-	(29)	-	-	(29)
Balance at 30 September 2012	**194**	**24**	**189**	**1,107**	**1,514**
Net book value					
At 1 October 2010	125	1	100	234	460
At 30 September 2011	70	60	90	173	393
At 30 September 2012	**11**	**14**	**88**	**251**	**364**

12 Details of subsidiary undertakings

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

Name	Country of incorporation and operation	Proportion of voting rights and ordinary share capital held	Nature of business
SN&C Holdings Limited	England and Wales	100%	Holding company
Servoca Nursing & Care Limited*	England and Wales	100%	Staffing and recruitment
Servoca Resourcing Solutions Limited	England and Wales	100%	Staffing and recruitment
Manorbase Limited t/a Firstpoint Healthcare*	England and Wales	100%	Staffing and recruitment
Servoca Secure Solutions Limited	England and Wales	100%	Security manned guarding
Servoca Education Resourcing Limited	England and Wales	100%	Staffing and recruitment
Servoca Academics Limited	England and Wales	100%	Dormant company
Academics Limited	England and Wales	100%	Staffing and recruitment
Triple West Medical Limited*	England and Wales	100%	Staffing and recruitment
Pure Medical Healthcare Solutions Ltd*	England and Wales	100%	Staffing and recruitment
HSG Medical Limited*	England and Wales	100%	Staffing and recruitment
Healthcare Staffing Group Limited	England and Wales	100%	Holding company
Firstpoint Homecare Limited*	England and Wales	100%	Staffing and recruitment

*Undertaking held indirectly by Parent Company.

13 Trade and other receivables

	30 September 2012 £'000	30 September 2011 £'000
Due in less than one year:		
Trade receivables	**5,635**	6,319
Less: Provision for impairment of trade receivables	**(227)**	(582)
Trade receivables net	**5,408**	5,737
Other receivables	**88**	113
Prepayments and accrued income	**1,769**	1,532
	7,265	7,382

13 Trade and other receivables *(continued)*

	30 September 2012 £'000	30 September 2011 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**5,496**	5,850
Cash and cash equivalents	**223**	366
Total financial assets classified as loans and receivables	**5,719**	6,216

The fair values of financial assets classified as loan and receivables approximate to their carrying value. Trade receivables are non-interest bearing and are generally on 14-60 day terms. At 30 September 2012, trade receivables of £227,000 (30 September 2011: £582,000) were impaired and fully provided for.

At 30 September 2012 the analysis of trade receivables is:

	Total £'000	Neither past due nor impaired £'000	Past due or impaired 31-60 days £'000	60-90 days £'000	90-120 days £'000	120+ days £'000
Trade receivables	5,635	3,359	1,462	385	169	260
Provision	(227)	-	-	-	-	(227)
	5,408	3,359	1,462	385	169	33

At 30 September 2011 the analysis of trade receivables was:

	Total £'000	Neither past due nor impaired £'000	Past due or impaired 31-60 days £'000	60-90 days £'000	90-120 days £'000	120+ days £'000
Trade receivables	6,319	4,199	1,345	428	279	68
Provision	(582)	-	-	(235)	(279)	(68)
	5,737	4,199	1,345	193	-	-

13 Trade and other receivables *(continued)*

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

	30 September 2012 £'000	30 September 2011 £'000
At beginning of the year	**582**	937
Released during the year	**(355)**	(355)
At end of the year	**227**	582

The movement on the provision during the year has been included in administrative expenses in the statement of comprehensive income.

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

14 Trade and other payables

	30 September 2012 £'000	30 September 2011 £'000
Trade payables	**864**	846
Other taxation and social security	**858**	1,269
Other payables	**347**	514
Accruals and deferred income	**1,616**	1,772
	3,685	4,401

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

15 Other financial liabilities and provisions - current

	30 September 2012 £'000	30 September 2011 £'000
Invoice discounting facility	**3,496**	3,145
Obligations under finance leases (see note 17)	**-**	1
Provisions (see note 16)	**27**	99
	3,523	3,245

Invoice discounting facilities of £3,496,000 (2011: £3,145,000) are secured by a charge over the borrowing company's book debts. Interest during the year is payable on these facilities at commercial rates.

16 Provisions

	Legal claims £'000	Business restructuring £'000	Vacant property costs £'000	National Insurance on share options £'000	Total £'000
At 1 October 2010	826	11	204	13	1,054
Settled in cash	(21)	-	(83)	-	(104)
Release of over-provisions in prior periods	(765)	-	(86)	-	(851)
At 1 October 2011	**40**	**11**	**35**	**13**	**99**
Provided for in the year					
Release of over-provisions in prior periods	(40)	(11)	(21)	-	(72)
At 30 September 2012	**-**	**-**	**14**	**13**	**27**

Legal claims
The legal claims provisions were in relation to specific employment legislation which the Group, based on legal advice at the time, was advised to make provision for. The directors now consider that these provisions are no longer required.

Business restructuring
As part of the Group's 2010 restructuring programme, the Board terminated all loss making businesses which included the revision of the management structure, streamlining the operational management, simplifying the corporate structure and continuing the rationalisation of the front and back office systems and a reduction of operational and administrative staff and overheads.

Vacant property costs
Part of the restructuring necessitated vacating certain of the Group's leasehold premises for which provisions were made for the expected costs to the expiry of the leases.

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

17 Finance leases
The Group leased some of its computer equipment (net carrying value £nil (2011: £nil)). Such assets are generally classified as 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 2012 £'000	Minimum lease payments and present value 30 September 2011 £'000
Not later than one year	-	1

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 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 13 to 17 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 and other receivables
- Cash at bank
- Invoice discounting facilities
- Trade and other payable

18 Financial instruments *(continued)*

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 not changed during the year. The Company is listed on AIM and 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:

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 reporting date there were no significant concentrations of credit risk.

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

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

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

18 Financial instruments *(continued)*

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's only significant borrowings are at 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. It is the Group's objective to fund the working capital requirements by means of invoice discounting facilities.

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

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

	Fixed rate borrowings £'000	Floating rate borrowings £'000	Total £'000
At 30 September 2012			
Finance leases	**-**	**-**	**-**
Invoice discounting facility	**-**	**3,496**	**3,496**
	-	**3,496**	**3,496**
At 30 September 2011			
Finance leases	1	-	1
Invoice discounting facility	-	3,145	3,145
	1	3,145	3,146

The floating rate borrowings bear interest at a commercial rate above the bank's base rate.

All of the Group's borrowings are in sterling.

At 30 September 2012, if interest rates on the above floating rate borrowings had been 3% (2011: 3%) higher or lower with all other variables held constant, profit after tax for the period would have been £134,000 (2011: £176,000) lower or higher. There would be the same effect on equity.

The directors consider that 3% (2011: 3%) 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.

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

18 Financial instruments *(continued)*

Liquidity risk

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

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

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

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

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

	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade, other payables and provisions	**2,854**	-	-
Invoice discounting facilities	**3,496**	-	-
Finance lease	-	-	-
At 30 September 2012	**6,350**	-	-

	Less than 1 Year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade, other payables and provisions	3,231	-	-
Invoice discounting facilities	3,145	-	-
Finance lease	1	-	-
At 30 September 2011	6,377	-	-

18 Financial instruments *(continued)*

Undrawn facilities

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

	30 September 2012 £'000	30 September 2011 £'000
Expiring within one year	**476**	1,002

Capital management policy

Servoca Plc defines its capital as its share capital, share premium account, other reserves and retained earnings. The Group's objectives when maintaining capital are to safeguard the Group's ability to continue as a going concern, 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. The directors consider the management of debt to be an important element in controlling the capital structure of the Group.

Movements in capital during the year are disclosed in note 19 and the Consolidated Statement of Changes in Equity.

19 Called up share capital

	30 September 2012 Number '000	**30 September 2012 £'000**	30 September 2011 Number '000	30 September 2011 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256

19 Called up share capital *(continued)*
Movements in issued share capital

	Ordinary shares of 1p each Number '000	Ordinary shares of 1p each £'000	Deferred Shares of 9p each Number '000	Deferred Shares of 9p each £'000
In issue at 1 October 2010	122,591	1,226	48,120	4,331
Issued during year	2,984	30	-	-
Cancelled during year	-	-	(48,120)	(48,120)
In issue at 1 October 2011 and 30 September 2012	**125,575**	**1,256**	**-**	**-**

On 13 April 2011, the Company obtained a court order to cancel and extinguish the deferred shares of 9p each and cancel the amount standing on the share premium account at 1 March 2011. This had the effect of reducing the share capital and share premium by £12.1 million in total and increasing the retained earnings by the same amount.

In May 2011, the Company acquired the "B" ordinary shares in its subsidiary Triple West Medical Limited, under a shareholders agreement for a total consideration of £492,392 which was satisfied 50% in cash and 50% in shares in Servoca Plc by the issue of 2,984,194 ordinary 1p shares at 8.25p each.

Share options
At 30 September 2012 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
9	40.0p	01/12/07	01/12/10	30/11/17	140,000
1	31.5p	31/03/08	31/03/11	30/03/18	50,000
1	10.0p	31/03/08	31/03/11	30/03/18	116,279
4	25.0p	19/07/08	19/07/11	18/07/18	1,425,000
1	12.5p	07/07/09	31/03/11	20/07/19	116,279
4	5.0p	12/10/11	See below	12/10/21	646,000
					2,493,558

The options issued on 12 October 2011 can be exercised only on a change of control of the Company.

19 Called up share capital *(continued)*

Share options (continued)

At 30 September 2011 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
13	40.0p	01/12/07	01/12/10	30/11/17	315,000
2	31.5p	31/03/08	31/03/11	30/03/18	100,000
2	10.0p	31/03/08	31/03/11	30/03/18	232,558
5	25.0p	19/07/08	19/07/11	18/07/18	1,550,000
4	22.95p	13/10/08	13/10/11	12/04/12	133,856
2	12.5p	07/07/09	31/03/11	20/07/19	232,558
					2,563,972

In accordance with IFRS 2 "Share-Based Payment", employee share options are required to be measured at fair value at the date of grant and the resulting charge expensed through profit or loss over the vesting period.

The movements in the total number of share options is as follows:

	2012 Number	2011 Number
Outstanding at beginning of year	**2,563,972**	2,762,534
Issued in year	**868,500**	-
Lapsed	**(938,914)**	(198,562)
Outstanding at end of year	**2,493,558**	2,563,972
Exercisable at year end	**1,847,558**	2,430,116

The weighted average exercise price of the share options exercisable at the year end is 31.2p (2011: 24.6p) and the weighted average contractual life of the options outstanding at the end of the year is 5.6 years (2011: 6.5 years).

Details of parent company share option schemes.

On 3 October 2011, the Company granted 868,500 share options for the benefit of senior managers of the Group's central services, under the Servoca Company Share Option Plan which was approved at the general meeting of the Company in June 2011. The exercise price of these options is 5p. At 30 September 2012, 646,000 of these options related to 4 employees still employed by the Group. The remainder of the options lapsed as a result of an employee leaving the Group. The options remained unexercised and had not vested as at 30 September 2012.

19 Called up share capital ***(continued)***

Share options ***(continued)***

The options fall into 6 groups for valuation with exercise prices varying between 5p and 40p each:
Group 1 – 1,200,000 options granted 1 December 2007
The fair value of the options was 17p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.66%, the average term of 5 years, share price at time of granting of 45p and volatility of 26.72%.

Group 2 – 150,000 options granted 31 March 2008
Management estimated the fair value of the options to be 10p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 3 – 348,837 options granted 31 March 2008
The fair value of the options was 23p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 4 – 1,675,000 options granted 19 July 2008
The fair value of the options was 9p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 5.03%, the average term of 5 years, share price at time of granting of 25p and volatility of 29.44%.

Group 5 – 348,837 options granted 13 July 2009
The fair value of the options was 4p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.09%, the average term of 5 years, share price at time of granting of 13.0p and volatility of 30.1%.

Group 6 – 868,500 options granted 12 October 2011
The fair value of the options was 2p per option at the date of grant. The value of these options was determined by management with reference to expected leavers and share price at the year end. They can only be exercised on change in control of the Company but must be exercised before 12 October 2021. The share price at the time of grant was 5p.

The assumptions in respect of the options granted in groups 1 to 5 are based on:

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

19 Called up share capital *(continued)*
Share options *(continued)*
Details of other share options and long term incentive schemes.

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

During 2009, Servoca set up a share scheme in its subsidiary Triple West Medical Limited (TWM) which was designed to ensure that the management were incentivised to grow and improve profitability of that company in the medium term, thereby increasing its value to the Group. Servoca owned 100% of the issued A shares in TWM which represented 80% of the issued share capital of that company. Two of the directors of TWM owned 20 of the issued B shares in that company which represented the remaining 20% of its issued share capital. The B shareholders were not entitled to receive notice of, attend, speak or vote at general meetings of TWM. Under a shareholders' agreement, the B shareholders were entitled to sell their B shares to Servoca Plc at a value determined in the agreement based on the results of TWM in the twelve months to 30 November 2010. This transaction was settled during the year ended 30 September 2011 with a final charge to profit or loss of £48,392 and a total settlement value of £492,392 shown below.

In addition, an Employee Benefit Trust was set up in 2010 for the benefit of Andrew Church. The fair value of the share-based payments award relating to this was estimated at £550,275 based on the following assumptions:

- The share price at the grant date was 17.25p;
- The shares cannot be transferred without written consent for a period of 6 years up to November 2014. The discount related to the restrictions is 22.5%;
- The exercise price for the award is nil p per share; and
- The vesting period was for the three years ended on 30 November 2011.

The treatment of the share based payment transactions during the year is as follows:

	30 September 2012 £'000	30 September 2011 £'000
Expense arising from share based payment transactions:		
– share option schemes	**82**	17
– employee benefit trust	**22**	302
Expense arising from purchase of subsidiary shares	**-**	48
Expense recognised in profit or loss	**104**	367
Settled in year (see above)	**-**	(492)
Recognised through retained earnings	**104**	(125)

20 Reserves

The share premium account consists of the amount subscribed for share capital in excess of nominal value after deducting costs directly incurred in issuing the shares. In April 2011, the Company obtained a court order permitting the cancellation of the amount standing on the share premium account as at 1 March 2011.

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.

The own shares represented the cost of the shares held by the Servoca Plc Employee Benefit Trust. The Trust granted a beneficial interest in these shares to Andrew Church subject to certain conditions. This interest was subject to continuing employment during the period to November 2011. As this condition was met during the year and the shares have vested, the cost of these shares has been transferred to retained earnings. The shares cannot be realised before November 2014 unless there is an earlier change of control of the Company. The shares were purchased by the Employee Benefit Trust at a price of 18p per share, a total consideration of £792,000. At 30 September 2012, the Trust owned 4.4 million Ordinary 1p shares which had a market value of £154,000 (2011: £242,000) at the reporting date.

21 Operating leases

Many of the Group’s smaller premises are under short term licences but the majority of the larger premises are leased. The terms of the property leases vary but tend to be tenant repairing with rent reviews every 2 to 5 years and include break clauses. The Group has a number of vehicles under contract hire.

The future minimum lease payments are due as follows:

	30 September 2012 Land and buildings £’000	**30 September 2012 Other £’000**	30 September 2011 Land and buildings £’000	30 September 2011 Other £’000
Not later than one year	**175**	**131**	354	39
Later than one year but not later than five years	**170**	**253**	199	59
Later than five years	**-**	**-**	6	-
	345	**384**	559	98

22 Notes to the consolidated statement of cash flows

a) Cash and cash equivalents

	30 September 2012 £'000	30 September 2011 £'000
Cash available on demand	**223**	366
Invoice discounting facilities	**(3,496)**	(3,145)
	(3,273)	(2,779)
Cash and cash equivalents at beginning of year	**(2,779)**	(2,446)
Net cash decrease in cash and cash equivalents	**(494)**	(333)

b) Analysis of net debt

2012	As at 1 October 2011 £'000	Cash flow £'000	Non cash movement £'000	**As at 30 September 2012 £'000**
Cash and cash equivalents	(2,779)	(494)	-	**(3,273)**
Finance lease obligations	(1)	1	-	**-**
	(2,780)	(493)	-	**(3,273)**

2011	As at 1 October 2010 £'000	Cash flow £'000	Non cash movement £'000	As at 30 September 2011 £'000
Cash and cash equivalents	(2,446)	(333)	-	(2,779)
Finance lease obligations	(14)	13	-	(1)
Loans	(500)	500	-	-
	(2,960)	180	-	(2,780)

23 Pensions

The Group operates defined contribution self-administered pension schemes on behalf of certain employees. The schemes have been established for a number of years.

The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charge in note 3 represents the contributions payable by the Group to the schemes for the year. There were no outstanding or prepaid contributions at either the beginning or end of the year.

24 Related party transactions

Key management personnel are defined as being Directors of Servoca Plc. Information on their remuneration is set out in note 4.

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

SERVOCA Plc
Parent Company balance sheet
At 30 September 2012 — Company registration number: 02641313

	Note	30 September 2012 £'000	30 September 2011 £'000
Fixed assets			
Tangible assets	2	**101**	200
Investments	3	**10,331**	10,346
Deferred tax asset		**170**	159
		10,602	10,705
Current assets			
Debtors	4	**557**	573
Cash at bank and in hand		**42**	43
		599	616
Creditors: amounts falling due within one year	5	**(871)**	(868)
Net current liabilities		**(272)**	(252)
Total assets less current liabilities		**10,330**	10,453
Creditors: amounts falling due after more than one year	6	**(1,992)**	(777)
Provisions for liabilities	7	**(27)**	(43)
Net assets		**8,311**	9,633
Capital and reserves			
Called up share capital	8	**1,256**	1,256
Share premium account	9	**203**	203
Own shares	9	**-**	(790)
Profit and loss account	9	**6,852**	8,964
Shareholders' funds	10	**8,311**	9,633

The financial statements were approved by the Board and authorised for issue on 30 January 2013.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 52 to 60 form part of these financial statements.

1 Accounting policies

The following principal accounting policies have been applied:

Basis of preparation

These financial statements have been prepared under the historical cost convention and are in accordance with United Kingdom Generally Accepted Accounting Practice and to comply with the Companies Act 2006. No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act.

Investments

Shares in subsidiary undertakings are stated at cost less provision for any impairment in value. Investments are tested for impairment in periods where events or circumstances indicate that the carrying values may not be recoverable.

Fixed assets and depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation has been calculated to reduce the carrying value of each asset to its expected recoverable amount over its expected useful economic life 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	- 25%-33% on a straight line basis
Leasehold improvements	- over the remaining 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

Non-derivative financial instruments are recognised initially and subsequently at cost or amortised 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 are paid.

1 Accounting policies (continued)

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.

Pension costs

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

Share-based payments

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

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

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 certain 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 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2011	209	56	641	906
Additions	5	5	33	43
At 30 September 2012	**214**	**61**	**674**	**949**
Depreciation				
At 1 October 2011	146	32	528	706
Charge for the year	62	11	69	142
At 30 September 2012	**208**	**43**	**597**	**848**
Net book value				
At 30 September 2012	**6**	**18**	**77**	**101**
At 30 September 2011	63	24	113	200

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2011 and 30 September 2012	**13,224**
Provisions	
At 1 October 2011	2,878
Provisions in year	15
At 30 September 2012	**2,893**
Net book value	
At 30 September 2012	**10,331**
At 30 September 2011	10,346

An analysis of net book value by subsidiary company is as follows:

	30 September 2012 £'000	30 September 2011 £'000
SN&C Holdings Limited	**350**	350
Servoca Resourcing Solutions Limited	**2,180**	2,180
Academics Limited	**7,277**	7,277
Triple West Medical Limited	**492**	492
Pure Medical Healthcare Solutions Limited	**32**	47
	10,331	10,346

A list of subsidiary companies is disclosed in note 12 to the group financial statements. Those subsidiaries in note 12 to the group financial statements and not listed above are either held indirectly or have no cost of investment.

4 Debtors

	30 September 2012 £'000	30 September 2011 £'000
Other tax and social security	**289**	301
Other debtors	**4**	8
Prepayments and accrued income	**264**	264
	557	573

All amounts shown fall due for payment within one year.

The Company has a recognised deferred tax asset of £170,000 (2011: £159,000) and an unrecognised deferred tax asset of £333,000 (2011: £362,000) in respect of capital losses for offset against future capital gains. The asset in respect of capital losses has not been recognised as there is currently not sufficient evidence about available gains in the future.

5 Creditors: amounts falling due within one year

	30 September 2012 £'000	30 September 2011 £'000
Obligations under finance leases	**-**	1
Trade creditors	**344**	349
Other taxation and social security	**86**	102
Other creditors	**1**	1
Accruals and deferred income	**440**	415
	871	868

6 Creditors: amounts falling due after more than one year

	30 September 2012 £'000	30 September 2011 £'000
Amounts due to group companies	**1,992**	777

No interest is charged on balances between group companies.

7 Provisions for liabilities and charges

	Business restructuring £'000	Vacant property costs £'000	National Insurance on share options £'000	Total £'000
At 1 October 2011	11	19	13	43
Utilised in the year	(11)	(5)	-	(16)
At 30 September 2012	**-**	**14**	**13**	**27**
Due within one year or less	**-**	**14**	**13**	**27**

8 Called up share capital

	30 September 2012 Number '000	**30 September 2012 £'000**	30 September 2011 Number '000	30 September 2011 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256

8 Called up share capital *(continued)*

Movements in issued share capital

	Ordinary shares of 1p each Number '000	Ordinary shares of 1p each £'000	Deferred Shares of 9p each Number '000	Deferred Shares of 9p each £'000
In issue at 1 October 2010	122,591	1,226	48,120	4,331
Issued during year	2,984	30	-	-
Cancelled during year	-	-	(48,120)	(4,331)
In issue at 1 October 2011 and 30 September 2012	**125,575**	**1,256**	**-**	**-**

On 13 April 2011, the Company obtained a court order to cancel and extinguish the deferred shares of 9p each and cancel the amount standing on the share premium account at 1 March 2011. This had the effect of reducing the share capital and share premium by £12.1 million in total and increasing the retained earnings by the same amount.

In May 2011, the Company acquired the "B" ordinary shares in its subsidiary Triple West Medical Limited, under a shareholders agreement for a total consideration of £492,392 which was satisfied 50% in cash and 50% in shares in Servoca Plc by the issue of 2,984,194 ordinary 1p shares at 8.25p each.

Share options

Details of the Company's share option schemes and long term incentive plans are provided in note 19 in the notes forming part of the consolidated financial statements.

The treatment of the share based payment transactions during the year is as follows:

	30 September 2012 £'000	30 September 2011 £'000
Expense arising from share based payment transactions		
– share option schemes	**82**	17
– employee benefit trust	**22**	302
Expense arising from purchase of subsidiary shares	**-**	48
Expense recognised in profit or loss	**104**	367
Settled in year	**-**	(492)
Recognised in retained earnings	**104**	(125)

9 Share premium account and other reserves

	Share premium £'000	Own shares £'000	Profit and loss account £'000
At 1 October 2011	203	(790)	8,964
Share based payment expense	-	-	104
Transfer of own shares on vesting	-	790	(790)
Loss for the year	-	-	(1,426)
At 30 September 2012	**203**	**-**	**6,852**

The shares held in the Employee Benefit Trust vested in the year and for this reason, the cost of these shares has been transferred to retained earnings.

10 Reconciliation of movements in shareholders' funds

	30 September 2012 £'000	30 September 2011 £'000
(Loss)/profit for the year	**(1,426)**	983
Share based payment expense	**104**	367
Settlement of share based payment transaction	**-**	(492)
Ordinary shares issued, net of expenses	**-**	233
Net movement in shareholders' funds	**(1,322)**	1,091
Opening shareholders' funds	**9,633**	8,542
Closing shareholders' funds	**8,311**	9,633

11 Annual commitments under operating leases

	30 September 2012 Land and buildings £'000	**30 September 2012 Other £'000**	30 September 2011 Land and buildings £'000	30 September 2011 Other £'000
Operating leases which expire:				
In less than one year	**13**	**-**	-	6
In more than one year but less than two years	**-**	**-**	155	-
In more than two years but less than five years	**-**	**17**	-	-
	13	**17**	155	6

12 Parent company results

The Parent Company's own result for the year was a loss after taxation of £1,426,000 (2011: profit after taxation of £983,000).

13 Pensions

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

The assets of all schemes are held separately from those of the Parent Company in independently administered funds. There were no outstanding or prepaid contributions at either the beginning or end of the year.

14 Related party transactions

The Company has taken advantage of exemptions under FRS 8.3(c) for non disclosure of transactions with wholly owned subsidiaries.

15 Directors' remuneration

Details of the remuneration of the Parent Company's directors are provided in the Report of the Directors on pages 6 to 10.