Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements

For the 15 month period ended 31 December 2021

SERVOCA Plc
Contents

SERVOCA Plc
Corporate information

Directors

John Foley, ACA, Barrister	Non – Executive Chairman
Andrew Church	Chief Executive Officer
Chris Hinton	Chief Financial Officer
Jonathan Long	Executive Director
Emma Sugarman	Non – Executive Director

Company Secretary and Registered Office
Chris Hinton
Kingston House
Towers Business Park, Wilmslow Road
Manchester, M20 2LD

Company Number
02641313

Country of Incorporation
United Kingdom

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

Independent Auditor
RSM UK Audit LLP
3 Hardman St
Manchester, M3 3HF

Chairman and CEO Review and Strategic Report

We are pleased to report that, despite the ongoing issues presented by the coronavirus pandemic for the period under review, the Group has delivered a resilient financial performance with a substantial improvement to the prior year. Despite school closures during January and February 2021 and two national lockdowns during the period under review, profit before taxation* grew by 88% compared to the year ending September 2020, albeit this was for an extended 15 month period this year.

The Group's Education Recruitment business was impacted by school closures in the early part of 2021 and demand slowly improved during the remainder of the academic year following schools re-opening in March. In our Healthcare Recruitment businesses, demand in nursing homes only started to improve from the summer as restrictions eased. However, we saw improved trading conditions earlier in our NHS supply, which delivered resource for Covid related pressures during the winter and early spring in particular.

The Group continued its excellent progress on cash from the prior year to substantially strengthen its balance sheet over the period under report.

The Group also took the opportunity to revise its year-end to improve annual visibility on revenues and profitability from its Education Recruitment division, the largest area of Group profitability.

Financial review

Group revenue for the 15-month period ended 31 December 2021 was £96.8m compared with £69.7m for the year ended 30 September 2020.

Gross profit for the 15-month period ended 31 December 2021 was £22.1m compared with £15.2m for the year ended 30 September 2020.

Operating profit* for the 15-month period ended 31 December 2021 was £4.9m compared with £2.7m for the year ended 30 September 2020.

Adjusted profit before taxation* was £4.8m for the 15-month period ended 31 December 2021 compared with £2.6m for the year ended 30 September 2020.

* before share based payment charges and contingent consideration.

Cash

Our cash position has continued to improve significantly during the period. Cash inflows of £3.3m have resulted in a cash balance of £9.3m at 31 December 2021. This is after outflows of £0.3m on deferred consideration and the payment of £1.5m (from a total of £1.6m) of deferred VAT as part of government support to businesses during the pandemic.

Operational Highlights

The period under review started six months into the restrictions imposed by the coronavirus pandemic and inevitably much of the year was therefore spent managing the Group's activities against this backdrop. We entered the year with a clear focus on managing the Group's core Recruitment Businesses through uncertain trading conditions and we are pleased to report a resilient performance.

Schools re-opened in September 2020 ahead of our new financial year following their closure five months earlier. Revenues in the first quarter were broadly similar to those of the same period prior to the pandemic but then schools were again closed during January and February 2021 which resulted in a 28% drop in comparable revenues for the second quarter. Demand slowly improved from schools upon their re-opening in March 2021 and this increased as the year progressed from higher than usual absence levels as a consequence of Covid.

The bolt-on acquisition we made in our Education business at the end of February 2020 was completed immediately prior to the pandemic and its restrictions. It therefore only really impacted trading performance in the 15-month financial period and we are pleased to report it has been fully integrated into our operations and is performing in line with expectations. The division also successfully launched a new organic branch in the M4 corridor that took the national branch network to 18 and further enhanced our geographic coverage.

Our Healthcare businesses experienced contrasting trading conditions. Operating Profit from NHS supply improved over the prior period, helped by increased demand from Covid related care and a return of more elective surgery. Conversely however, the nursing home market only showed signs of recovery from summer 2021 onwards, and saw profitability reduce by a similar amount to the gains made in the NHS business. The Healthcare Division also launched a business focussed on the delivery of specialist Complex Care in the final month of the previous financial year. We are pleased to report that it achieved profitability after six months of operation.

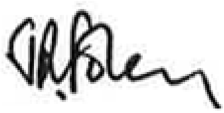
Another period of impressive cash generation has further strengthened the Group's balance sheet. Net Assets increased by £3.5m from £17.7m at 30 September 2020 to £21.2m at 31 December 2021, including a cash balance of £9.3m.

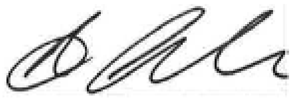
Coronavirus Pandemic and Outlook

The period under review was impacted by the pandemic throughout but the Board believes the Group navigated the challenges posed by this disruption particularly well. Staff turnover remained low and the Board would like to thank its staff and management for the significant efforts of all involved. The mass vaccination roll out and the Government's announcements on the removal of restrictions gives cause for optimism that the worst impacts of the virus may be behind us.

The Group's Education Recruitment division is hoping to benefit from a year without school closures and is currently seeing stronger demand than it would normally expect at this point in the academic year as a result of absences related to Covid. In our Healthcare businesses market conditions remain uncertain with reduced candidate availability hindering our ability to fulfil improving demand, though trading continues to steadily recover.

The Group's balance sheet leaves it well placed to pursue both organic and acquisition led opportunities as market conditions hopefully continue to normalise.





John Foley
Non-Executive Chairman

Andrew Church
Chief Executive Officer

22 April 2022

The directors present their report together with the audited financial statements for the 15 month period ended 31 December 2021.

Principal activities
The principal activities of the Group during the period were the provision of specialist outsourcing and recruitment services to customers in the education, healthcare and criminal justice markets. The principal activity of the Company is that of a holding company.

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

- Revenue: £96.8 million* (2020: £69.7 million)
- Gross Profit: £22.1 million* (2020: £15.2 million)
- Gross margin percentage: 22.9% (2020: 21.8%)
- Profit before tax, share based payment charges and contingent consideration: £4.8 million* (2020: £2.6 million).

**relates to the 15 month period*

Trading review, results and dividends
The consolidated statement of comprehensive income is set out on page 14 and shows the results for the period.

Group revenue for the 15 month period was £96.8 million (2020: £69.7 million) which produced a gross profit of £22.1 million (2020: £15.2 million). Profit before taxation for the year was £4.4 million after contingent consideration costs on acquisitions of £0.3 million and share based payment charges of £0.1 million (2020: £2.2 million after contingent consideration costs of £0.3 million).

No dividend has been proposed in respect of the 15 month period ended 31 December 2021 (2020: £nil).

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

- Changes in tax laws, regulations and government spending and policy. The Board keeps itself up to date with national news and press releases taking appropriate steps to address changes.
- Failure to continue to be registered for supply with HTE (Health-Trust Europe LLP), 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 to identify any new exposures as they arise.

Section 172 statement

In line with Section 172(1) of the Companies Act 2006, the Directors recognise their responsibility to exercise their duty in a manner which promotes the success of the Group for the benefit of all its stakeholders. We have evaluated the key stakeholders and below explain the way in which we have engaged with them during the year.

Stakeholder Group	Why we engage	How we engage
Employees	Our employees are fundamental to the delivery of our recruitment business and therefore to the long term success of the Group. It is imperative to keep them motivated and actively engaged.	Regular employee communication and engagement occurs through email communication, team meetings and CEO updates. Since the Coronavirus pandemic all employees have been given capability to make video calls to maintain regular communication, whether they work remotely or in an office environment. Annual performance reviews take place to encourage discussions with managers and their teams, as well as promote professional development.
Clients	Securing new clients and retaining long term client relationships is vital to the success of the Group. We work with our clients to find people to fulfil their recruitment needs.	Each sector of our Group deals with client engagement specific to their sector requirements. This can vary, but includes face-to-face meetings, customer satisfaction surveys and focus groups with NHS Trusts. The ultimate goal is to keep clients satisfied by ensuring we are providing an exceptional recruitment service.
Candidates and suppliers	The main suppliers to our business are candidates and contractors required by and supplied to our clients.	Our employees maintain regular contact with our candidates and contractors. We ensure that they are aware of our policies and the need to carry out compliance.

	They are essential to our ability to provide our clients with the services they demand.	The Group has a dedicated finance team that ensures candidates and suppliers are paid on time.
Investors and lenders	It is critical that our investors have confidence in how the Group is operated and its long term strategic objectives. Lender support is crucial in order to achieve the Group's continued investment and growth in our core Recruitment Businesses.	Annual statutory reporting communications and the AGM are the main methods for engagement with investors. Lenders are kept up to date with the Group's financial performance with the provision of monthly management accounts and bi-annual meetings.

Directors
The following directors held office since 1 October 2020:

Director	Office held
John Foley	Non-Executive Chairman
Andrew Church	Chief Executive Officer
Chris Hinton	Chief Financial Officer
Jonathan Long	Executive Director
Emma Sugarman	Non-Executive Director

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 Strategic Report and 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 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.

Directors' responsibilities *(continued)*
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 and CEO Review and Strategic Report on pages 2 to 4 and in the Directors' Report above. 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 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 Group has prepared trading and cash flow forecasts for the period to 31 December 2024 which show that the Group will have significant headroom on borrowing facilities. Given the Group's current trading performance, strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors have a reasonable expectation that there are no material uncertainties that cast doubt on the Group's ability to continue in operation. For these reasons the financial statements have been prepared on a going concern basis.

Events after the reporting period
On 8 March 2022 the Company announced its intention to return up to £10 million to Shareholders by a repurchase of their Ordinary Shares by way of a Tender Offer at a price of 30 pence per Ordinary Share.

The Company received tender offers totalling 35,596,357 Ordinary Shares. This exceeded the maximum £10 million proposed and as a result, each Shareholder that tendered their Ordinary Shares has had their acceptances scaled back to 93.64% of the total number of Ordinary Shares tendered by them for purchase by the Company.

Subject to Shareholder approval at the AGM on 28 April 2022, the Company will proceed with the Share Buyback.

Energy use and carbon emissions
The greenhouse gas ("GHG") emissions statement below provides a summary of the Group's greenhouse gas (carbon) emissions from 1 October 2020 to 31 December 2021, with comparative data for the year to 30 September 2020. It gives a summary of emissions from fuel combustion and the operation of our facilities, including company cars (scope 1) and from our purchased electricity use during the year (scope 2).

We have reported on all the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our own business activities over which we have operational control.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), data gathered from our own operations, and emissions factors from UK Government's Conversion Factors for Company Reporting 2021.

GHG emissions	15 month period ended 31 December 2021	Year ended 30 September 2020
Emissions from combustion of fuel (scope 1)	189,066 kg CO_2e	136,528 kg CO_2e
Emissions from electricity purchased for own use (scope 2)	70,399 kg CO_2e	72,091 kg CO_2e
Total emissions	**259,465 kg CO_2e**	**208,619 kg CO_2e**
Intensity: Emissions per £'000 revenue	**2.6817 kg CO_2e**	**2.9948 kg CO_2e**

Third party indemnity provision for directors
Qualifying third party indemnity insurance is in place for the benefit of all the directors of the Company.

Statement of disclosure to 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.

Auditor
A resolution to re-appoint RSM UK Audit LLP as auditor will be proposed at a general meeting of the Company, which will be held before 30 June 2022.

This report was approved by the Board of Directors on 22 April 2022 and signed by order of the Board.

Chris Hinton
Company Secretary
22 April 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SERVOCA GROUP PLC

Opinion

We have audited the financial statements of Servoca Plc (the 'parent company') and its subsidiaries (the 'Group') for the period ended 31 December 2021 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated statement of cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 31 December 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the Group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the Group and parent company operates in and how the Group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS / UK-adopted IAS, FRS102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to employment law. We performed audit procedures to inquire of management and those charged with governance whether the Group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The Group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied by management. Audit procedures performed over the revenue recognition included testing the operating effectiveness of controls, performing cut off tests, analytical reviews and tests of detail to cover all revenue assertions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Alastair Nuttall

ALASTAIR JOHN RICHARD NUTTALL (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street, Manchester. M3 3HF

22 April 2022

SERVOCA Plc
Consolidated statement of comprehensive income
For the 15 month period ended 31 December 2021

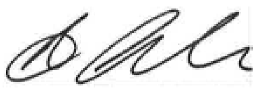
		15 month period ended 31 December 2021			12 month period ended 30 September 2020		
		Before share based payments & contingent consideration	**Share based payments & contingent consideration**	**Total**	Before share based payments & contingent consideration	Share based payments & contingent consideration	Total
	Note	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Continuing operations							
Revenue	2	**96,755**	**-**	**96,755**	69,660	-	69,660
Cost of sales		**(74,646)**	**-**	**(74,646)**	(54,448)	-	(54,448)
Gross profit		**22,109**	**-**	**22,109**	15,212	-	15,212
Administrative expenses		**(17,200)**	**(458)**	**(17,658)**	(12,506)	(328)	(12,834)
Operating profit	5	**4,909**	**(458)**	**4,451**	2,706	(328)	2,378
Finance costs	7	**(195)**	**-**	**(195)**	(132)	-	(132)
Finance income	7	**114**	**-**	**114**	-	-	-
Profit before taxation		**4,828**	**(458)**	**4,370**	2,574	(328)	2,246
Tax (charge)/credit	8	**(1,016)**	**32**	**(984)**	(464)	-	(464)
Total comprehensive income for the period/year from continuing operations		**3,812**	**(426)**	**3,386**	2,110	(328)	1,782
Profit for the year from discontinued operations	19	**-**	**-**	**-**	747	-	747
Total comprehensive income for the period/year attributable to the owners of the parent		**3,812**	**(426)**	**3,386**	2,857	(328)	2,529

The notes on pages 18 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 31 December 2021

	Note	31 December 2021 £'000	30 September 2020 £'000
Assets			
Non-current assets			
Investment in sublease	10	**-**	485
Fixed asset investment	11	**600**	-
Intangible assets	12	**9,529**	9,529
Property, plant and equipment	13	**2,931**	2,568
Total non-current assets		**13,060**	12,582
Current assets			
Trade and other receivables	15	**10,056**	9,538
Cash and cash equivalents	24	**9,331**	6,003
Total current assets		**19,387**	15,541
Total assets		**32,447**	28,123
Liabilities			
Non-current liabilities			
Lease liabilities	17	**(1,998)**	(1,710)
Total non-current liabilities		**(1,998)**	(1,710)
Current liabilities			
Trade and other payables	16	**(8,078)**	(7,655)
Corporation tax payable		**(576)**	(594)
Lease liabilities	17	**(496)**	(469)
Total current liabilities		**(9,150)**	(8,718)
Total net assets		**21,299**	17,695
Capital and reserves attributable to equity owners of the Company			
Called up share capital	20	**1,256**	1,256
Share premium account	21	**202**	202
Merger reserve	21	**2,772**	2,772
Reverse acquisition reserve	21	**(12,268)**	(12,268)
Retained earnings		**29,337**	25,733
Total equity		**21,299**	17,695

The financial statements were approved by the Board and authorised for issue on 22 April 2022 and signed on its behalf by:



Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 18 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the 15 month period ended 31 December 2021

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2019 attributable to equity owners of the parent	1,256	202	2,772	(12,268)	23,204	**15,166**
Profit for the year being total comprehensive income for the year	-	-	-	-	2,529	**2,529**
Transactions with owners:						
Share based payment expense (note 20)	-	-	-	-	-	**-**
Total transactions with owners	-	-	-	-	-	**-**
Balance as at 30 September 2020 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**25,733**	**17,695**
Profit for the period being total comprehensive income for the period	-	-	-	-	3,386	**3,386**
Deferred tax arising from share based payment expense (note 8)	-	-	-	-	89	**89**
Transactions with owners:						
Share based payment expense (note 20)	-	-	-	-	129	**129**
Total transactions with owners	-	-	-	-	129	**129**
Balance as at 31 December 2021 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**29,337**	**21,299**

The notes on pages 18 to 42 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the 15 month period ended 31 December 2021

	Note	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Operating activities			
Profit before tax		**4,370**	2,246
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**1,068**	889
Gain on write down of fixed assets		**(21)**	-
Share based payments		**129**	-
Finance income		**(114)**	-
Finance costs		**195**	132
(Increase)/decrease in trade and other receivables		**(1,033)**	4,492
Increase in trade and other payables		**922**	1,865
Cash generated from operations		**5,516**	9,624
Corporation tax paid		**(993)**	(340)
Cash flows from operating activities		**4,523**	9,284
Investing activities			
Acquisitions, net of cash acquired		**-**	(334)
Deferred consideration paid		**(250)**	(150)
Interest received		**99**	-
Purchase of property, plant and equipment		**(157)**	(164)
Net cash flows used in investing activities		**(308)**	(648)
Financing activities			
Interest paid		**(37)**	(30)
Proceeds from sublease investment		**114**	48
Repayment of lease liabilities		**(964)**	(718)
Net cash flows used in financing activities		**(887)**	(700)
Increase in cash and cash equivalents from continuing operations	24	**3,328**	7,936
Increase in cash and cash equivalents from discontinued operations	19	**-**	1,351
Total increase in cash and cash equivalents		**3,328**	9,287
Cash and cash equivalents at beginning of the year	24	**6,003**	(3,284)
Cash and cash equivalents at end of the period/year	24	**9,331**	6,003

The notes on pages 18 to 42 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is a public company limited by shares incorporated and domiciled in the England and Wales. 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 15 month period to 31 December 2021 and the comparative figures represent a 12 month period to 30 September 2020.

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 and CEO Review and Strategic Report and Directors' Report on pages 2 to 9. 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 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 Group has prepared trading and cash flow forecasts for the period to 31 December 2024 which show that the Group will have significant headroom on borrowing facilities. Given the Group's current trading performance, strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors have a reasonable expectation that there are no material uncertainties that cast doubt on the Group's ability to continue in operation. For these reasons the financial statements have been prepared on a going concern basis.

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 IFRSs and the Group's accounting policies:

- 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 12.

1 Accounting policies *(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 15.
- Business combinations. On acquisition, the Company calculates the fair value of the assets, liabilities and contingent liabilities acquired. The assessment of fair values is judgemental and directly impacts the value of goodwill carried on the statement of financial position.

Adoption of new and amended IFRS and IFRIC interpretations
At the date of approval of these financial statements, the following new Standards and Interpretations have become effective during the current and prior period:

IFRS 16: Leases
IFRS 16 introduces a single on-balance sheet lease accounting model whereby the Group, as a lessee, has recognised right of use assets representing the right to use the underlying asset and lease liabilities representing its obligation to make lease payments.

The Group implemented the above standard in the prior period.

No further new Standards or Interpretations have become effective in the current period nor expected to be effective in future periods.

Basis of consolidation
The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 31 December 2021. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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. A provision is made for possible cancellation of placements shortly after commencement of employment within the “clawback” period.

Leases
The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short term leases (term of 12 months or less). For these short term leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments, discounted by using the rate implicit in the lease, or at the Group’s incremental borrowing rate.

1 Accounting policies *(continued)*

The lease liability is presented as a separate line in the consolidated statement of financial position. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The right-of-use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset, starting at the commencement date of the lease. Details of such assets can be found within Property, plant and equipment in note 13.

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. Contingent consideration due to the vendors is treated in accordance with IFRS 3 when it is linked to the continued employment of the previous owners. 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. 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.

1 Accounting policies *(continued)*

Fixed asset investments

Investments other than those in group undertakings and participating interests ("Other investments") are classified as financial instruments and accounted for in accordance with the accounting policy at fair value through profit or loss.

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, fittings and office equipment	-	10%-25% on a straight line 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
Right of use assets	-	over the life of the associated lease, straight line

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 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.

1 Accounting policies *(continued)*

Financial instruments

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

Financial assets

The Group's financial assets comprise trade and other receivables, accrued income and cash at bank and in hand.

Trade and other receivables 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks and invoice discounting facilities, which have positive balances and are not being utilised.

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 85% of the agreed balances can be drawn down in advance. Interest is payable at a prevailing commercial rate on balances drawn. Invoice discounting facilities that are being utilised are shown within current liabilities in the statement of financial position. Otherwise they are shown within cash and cash equivalents.

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 either when they are paid or a liability is established by approval of the shareholders.

Leased assets

Where substantially all of the risks and rewards of 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 Group has complied with the Auto Enrolment legislation of The Pension Act and employees have been enrolled as the companies have reached their staging dates. The pension cost charge represents contributions payable by the Group to the schemes for the year.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

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.

2 Revenue

The Group’s revenue from continuing operations comprises recruitment and outsourcing services. The Recruitment segment provides recruitment services to the Education, Healthcare and Criminal Justice sectors. The outsourcing segment provides services to the Domiciliary Care sector.

	15 months ended 31 December 2021 £’000	12 months ended 30 September 2020 £’000
Revenue is split into the following segments:		
Recruitment	**93,232**	66,456
Outsourcing	**3,523**	3,204
	96,755	69,660

All 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.

3 Employees

	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Staff costs from continuing operations within administrative expenses, including executive directors, consist of:		
Wages and salaries	**11,148**	7,911
Social security costs	**1,270**	954
Redundancy costs	**31**	161
Pension contributions	**196**	146
Share-based payments	**129**	-
	12,774	9,172

	2021 Number	2020 Number
The average monthly number of employees of continuing operations, including directors, during the year was as follows:		
Operations	**46**	37
Sales	**148**	163
Financial and administration	**26**	30
	220	230

4 Directors' remuneration

Total remuneration was as follows:	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Salaries and benefits	**1,127**	866
Pension contributions	**7**	6
Share based payments	**117**	-
	1,251	872
Salary and benefits of the highest paid director:		
Salaries and benefits	**507**	370
Pension contributions	**2**	1
Share based payments	**69**	-
	578	371

During the period, four directors had benefits accruing under defined contribution pension schemes (year ended 30 September 2020: three).

5 Operating profit

	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**1,068**	889
Profit on disposal of fixed assets	**(21)**	-
Share based payment expense	**129**	-
Contingent consideration	**329**	300
Acquisition costs	**-**	29
Operating lease rentals:		
- land and buildings	**176**	65
- other	**64**	74
Remuneration to auditor:		
- Audit of the Company's financial statements pursuant to legislation	**15**	12
- Audit of the subsidiaries' financial statements pursuant to legislation	**68**	58
- Other taxation compliance services	**24**	25

Analysis of expenses by nature	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Direct cost of temporary placements	**74,646**	54,448
Staff costs	**12,774**	9,172
Depreciation and amortisation	**1,068**	889
Property costs	**644**	364
Others	**3,253**	2,541
	92,385	67,414

Direct cost of temporary placements includes the employment costs of candidates whether by means of umbrellas companies or contract for services.

During the period the Company received government grants under the Job Retention Scheme totalling £1.3 million (2020: £5.3 million), of which £1.0 million was for temporary workers (2020: £4.5 million) and £0.3 million was for permanent employees (2020: £0.8 million). The gross costs directly attributable to these grants are shown in cost of sales and administrative expenses respectively, which is where the grants have also been recognised.

6 Share based payments, contingent consideration and exceptional costs

	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Share based payments	**129**	-
Contingent consideration	**329**	300
Acquisition costs	**-**	28
	458	328

7 Finance income and finance costs

Finance income	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Other interest received	**114**	-

Finance costs	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Interest on invoice discounting facilities	**35**	29
Interest on IFRS 16 lease liabilities	**158**	103
Other interest	**2**	-
	195	132

8 Taxation

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

	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Current income tax		
Current period charge	**947**	472
Adjustment in respect of earlier years	**29**	(3)
	976	469
Deferred tax		
Origination and reversal of temporary differences	**(21)**	(12)
Adjustment in respect of earlier years	**29**	7
	8	(5)
Total income tax charge	**984**	464

8 Taxation (continued)
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 15 month period ended 31 December 2021 and 12 month period ended 30 September 2020 is as follows:

	2021 £'000	2020 £'000
Profit before taxation from continuing operations	**4,370**	2,246
Profit before taxation multiplied by the average rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**830**	427
Fixed asset differences	**-**	15
Expenses not deductible for tax purposes	**94**	3
Other temporary timing differences	**(2)**	-
Other permanent differences	**4**	16
Temporary differences not recognised for tax	**-**	(1)
Adjustment in respect of earlier years	**58**	4
Total tax charge on continuing operations reported in the consolidated statement of comprehensive income	**984**	464

c) Deferred tax
The deferred tax asset (liability) that has been recognised in the statement of financial position is as follows:

	2021 £'000	2020 £'000
As at 1 October	**(10)**	(25)
Credit in respect of current year	**20**	12
(Charge)/credit in respect of prior years	**(29)**	3
Credit on share based payments direct to equity	**89**	-
As at 31 December	**70**	(10)

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:

	2021 £'000	2020 £'000
Capital losses for offset against future capital gains	**1,448**	1,448

The asset in respect of capital losses has not been recognised as there is currently not sufficient evidence about available gains in the future.

9 Dividends
No dividend for the 15 month period ended 31 December 2021 has been proposed (2020: £nil).

10 Investment in sublease

The group had entered into sublease arrangements as a lessor that were considered to be similar in nature to finance leases. The Group subleased part of one property and as they transferred substantially all of the risks and rewards of ownership of the asset they were classified as an investment in sublease.

During the period under review, the Group activated a break clause on the parent lease and as such disposed of this sublease.

The maturity analysis of lease receivables, including the undiscounted lease payments to be received are as follows:

	2021	2020
	£'000	£'000
Less than one year	**-**	91
Later than one year but less than five years	**-**	365
More than five years	**-**	112
Total undiscounted lease payments receivable	**-**	568
Unearned finance income	**-**	(83)
Net investment in sublease	**-**	485

11 Fixed asset investments

	£'000
Cost	
Balance at 1 October 2019 and 2020	**-**
Additions during the period	600
Balance at 31 December 2021	**600**

The investment is in relation to preference shares held in an unlisted private limited company. The shares accrue an annual dividend of 6% at the discretion of the issuer and the related income for this is shown within other receivables.

12 Intangible assets

	Goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
Cost				
Balance at 1 October 2019	**17,560**	**118**	**294**	**17,972**
On acquisition	299	-	-	299
Disposal	(51)	-	-	(51)
Balance at 1 October 2020	**17,808**	**118**	**294**	**18,220**
On acquisition	-	-	-	-
Disposal	(2,461)	(118)	-	(2,579)
Balance at 31 December 2021	**15,347**	**-**	**294**	**15,641**
Accumulated amortisation and impairment				
Balance at 1 October 2019 and 2020	**8,279**	**118**	**294**	**8,691**
Disposal	(2,461)	(118)	-	(2,579)
Balance at 31 December 2021	**5,818**	**-**	**294**	**6,112**
Net book value				
At 30 September 2019	9,281	-	-	9,281
At 30 September 2020	9,529	-	-	9,529
At 31 December 2021	**9,529**	**-**	**-**	**9,529**

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

	31 December 2021 £'000	30 September 2020 £'000
A-Day Consultants Limited	**6,923**	6,923
Classic Education Limited	**1,187**	1,187
Others	**1,419**	1,419
	9,529	9,529

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 31 December 2022 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 31 December 2022. These have been prepared based on management's past experience taking into account future expectations. Management believe that these forecasts are reasonably achievable;
- Actual performance for the first quarter of the financial year to December 2022 has been considered alongside the budget and revised forecasts produced for 2023 and 2024;

12 Intangible assets (continued)

- The revenue growth estimates for future years are extrapolated at between -6% and 12% depending on the sector (2020: 0% and 10%) per annum for the first year and between 0% and 3% thereafter (2020: 0% and 10%). This is based on the Group's estimate of the long term growth rate of the recruitment sector and management's experience of the sector;
- Gross margin percentage is assumed to remain generally constant; and
- The pre tax discount rate used is based on the estimated weighted average cost of capital of 9.0% (2020: 9.0%).

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 impairment calculations are sensitive to changes in the above assumptions; however management believes that the forecasts are achievable and that no reasonable probable change to these assumptions would lead to impairment.

13 Property, plant and equipment

	Right of use assets £'000	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost						
Balance at 1 October 2019	**-**	**615**	**-**	**684**	**1,428**	**2,727**
Additions	-	53	-	19	92	164
Acquisition of subsidiary	-	-	7	1	-	8
IFRS 16 adoption	2,783	-	-	-	-	2,783
Disposals	(523)	-	-	-	-	(523)
Balance at 1 October 2020	**2,260**	**668**	**7**	**704**	**1,520**	**5,159**
Additions	2,012	8	-	19	130	2,169
Disposals	(1,142)	(342)	-	(160)	(464)	(2,108)
Balance at 31 December 2021	**3,130**	**334**	**7**	**563**	**1,186**	**5,220**
Accumulated depreciation						
Balance at 1 October 2019	**-**	**246**	**-**	**429**	**1,027**	**1,702**
Depreciation charge for the year	603	71	1	72	142	889
Balance at 1 October 2020	**603**	**317**	**1**	**501**	**1,169**	**2,591**
Depreciation charge for the period	740	82	3	75	168	1,068
Disposals	(649)	(149)	-	(108)	(464)	(1,370)
Balance at 31 December 2021	**694**	**250**	**4**	**468**	**873**	**2,289**
Net book value						
At 30 September 2019	-	369	-	255	401	1,025
At 30 September 2020	1,657	351	6	203	351	2,568
At 31 December 2021	**2,436**	**84**	**3**	**95**	**313**	**2,931**

14 Subsidiary undertakings

The following companies were the main 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
Firstpoint Healthcare Limited*	England and Wales	100%	Staffing and recruitment
A-Day Consultants 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
A+ Teachers Limited*	England and Wales	100%	Staffing and recruitment
Classic Education Limited*	England and Wales	100%	Staffing and recruitment
Term Time Teachers Limited*	England and Wales	100%	Staffing and recruitment

*Undertaking held indirectly by Parent Company.

The Registered Office of all the above is Kingston House, Towers Business Park, Wilmslow Road, Manchester M20 2LD.

The dormant and holding companies referred to above have taken the exemption in S480 of the Companies Act 2006 (the Act) from the requirement of the Act for their individual accounts to be audited.

15 Trade and other receivables

	31 December 2021 £'000	30 September 2020 £'000
Due in less than one year:		
Trade receivables	**7,796**	6,887
Less: Provision for impairment of trade receivables	**(33)**	(545)
Trade receivables net	**7,763**	6,342
Other receivables	**925**	1,604
Prepayments and accrued income	**1,298**	1,592
Deferred tax	**70**	-
	10,056	9,538

15 Trade and other receivables *(continued)*

	31 December 2021 £'000	30 September 2020 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**9,324**	8,938
Cash and cash equivalents	**9,331**	6,003
Total financial assets classified as loans and receivables	**18,655**	14,941

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 31 December 2021, trade receivables of £33,000 (30 September 2020: £545,000) were impaired and fully provided for.

At 31 December 2021 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	7,796	6,433	844	208	17	294
Provision	(33)	-	-	-	-	(33)
	7,763	6,433	844	208	17	261

At 30 September 2020 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	6,887	4,777	674	96	33	1,307
Provision	(545)	-	-	-	-	(545)
	6,342	4,777	674	96	33	762

15 Trade and other receivables *(continued)*

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

	31 December 2021 £'000	30 September 2020 £'000
At beginning of the year	**545**	536
Utilised during the year	**(512)**	(29)
Provided during the year	**-**	38
At end of the year	**33**	545

Amounts totalling £nil (2020: £0.03 million) have been provided during the period and are 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.

16 Trade and other payables

	31 December 2021 £'000	30 September 2020 £'000
Trade payables	**133**	152
Other taxation and social security	**3,662**	2,956
Contingent consideration	**392**	313
Other payables	**1,357**	1,929
Accruals and deferred income	**2,534**	2,295
Deferred tax	**-**	10
	8,078	7,655

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

The contingent consideration is the amounts due at the year end to the vendors of Academic Solutions (UK) Limited and Term Time Teachers Limited in accordance with the sale agreements. The total expected consideration is spread over the period of the earn outs and the balances at the year end represent amounts due up to that date.

17 Other financial liabilities

Non-current financial liabilities	**31 December 2021 £'000**	30 September 2020 £'000
IFRS 16 lease liabilities	**1,998**	1,710

17 Other financial liabilities (continued)

Current financial liabilities	31 December 2021 £'000	30 September 2020 £'000
IFRS 16 lease liabilities	**496**	469

IFRS 16 lease liabilities (policy applicable from 1 October 2019) are initially measure at the present value of the lease payments relating to right-of-use assets (see note 13), discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's estimate of an incremental borrowing rate (vehicle and printer fleet: 6.1%, office and other properties: 4.0%). Lease payments included in the measurement of the lease liability comprise the contracted fixed payments.

18 Financial instruments

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

- Credit risk
- 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.

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 below.

Principal financial instruments

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

- Investment in preference shares
- Trade and other receivables
- Cash at bank
- Invoice discounting facilities
- Trade and other payables

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 working capital is financed largely by invoice discounting facilities within each trading subsidiary. At both 31 December 2021 and 30 September 2020 these facilities were not being utilised.

18 Financial instruments *(continued)*

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 15.

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.

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.

Given that the invoice discounting facilities have not been utilised between March 2020 and the period end, this risk is not deemed material for the Group's results.

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 60 days.

18 Financial instruments *(continued)*

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 the sum of the undiscounted contractual cash flows is as follows:

	Due in less than 1 year £'000	**Between 1 and 5 years £'000**	**Over 5 years £'000**	**Total £'000**
Trade and other payables	**6,263**	**-**	**-**	**6,263**
Invoice discounting facilities	**-**	**-**	**-**	**-**
IFRS 16 lease liabilities	**496**	**1,355**	**643**	**2,494**
At 31 December 2021	**6,759**	**1,355**	**643**	**8,757**

	Due in less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000	Total £'000
Trade and other payables	5,275	-	-	5,275
Invoice discounting facilities	-	-	-	-
IFRS 16 lease liabilities	469	1,303	407	2,179
At 30 September 2020	5,744	1,303	407	7,454

Undrawn facilities

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

	31 December 2021 £'000	30 September 2020 £'000
Expiring within one year	**8,500**	8,500

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 and provide returns to shareholders.

Movements in capital during the year are disclosed in note 20 and the Consolidated Statement of Changes in Equity.

19 Non-current assets classified as held-for-sale and discontinued operations

Security
Following the Company's move to delist from the AIM market in June 2018, the decision was also taken to dispose of its non-core Security business, Servoca Secure Solutions Ltd.

On 29 November 2019, the Company disposed of Servoca Secure Solutions Ltd. This was for an initial cash consideration of £0.5 million and repayment of a term loan balance totalling £1.5 million in instalments over 18 months.

During the period, £0.6 million of the term loan was converted into preference shares held in the immediate parent company of Servoca Secure Solutions Ltd. The shares accrue an annual dividend of 6% at the discretion of the issuer and the related income for this is shown within other receivables.

The remaining £0.9 million is now repayable over 4 years, with the first instalment due in August 2022.

Key amounts relating to the discontinued Security component are as follows:

	31 December 2021 £'000	30 September 2020 £'000
Revenue	-	1,508
Cost of sales	-	(1,187)
Gross profit	-	321
Administrative expenses and finance costs	-	(330)
Profit on disposal of subsidiary	-	756
Profit before taxation	-	747
Tax charge	-	-
Profit for the year from discontinued operations	-	747

The cash flow from operating, investing and financing activities of the Security component during the year was as follows:

	31 December 2021 £'000	30 September 2020 £'000
Cash generated from operations	-	485
Cash flows used in investing activities	-	869
Cash flows used in financing activities	-	(3)
Increase in cash and cash equivalents	-	1,351

20 Called up share capital

	31 December 2021 Number '000	31 December 2021 £'000	30 September 2020 Number '000	30 September 2020 £'000
Allotted, issued and fully paid:				
New Ordinary shares of 1p each	**125,575**	**1,256**	125,575	1,256
	125,575	**1,256**	125,575	1,256

During the year the Company acquired none of its own shares (2020: nil). The number of shares held as "treasury shares" at the year end was 2,128,373 which represented 1.69% of the called up share capital of the Company (2020: 4,071,868 representing 3.24%). The Company has the right to re-issue these shares at a later date. The maximum number of treasury shares held during the period was 4,071,868 (2020: 4,071,868).

Share options

At 31 December 2021 employee share options outstanding were as follows:

Number of employees	Exercise price	Date of issue	Date first exercisable	Date of expiry	Number of share options
11	1.04p	10/06/21	See below	10/06/31	11,282,806

The options issued on 10 June 2021 have various conditions attached, which are explained in more detail below.

At 30 September 2020 employee share options outstanding were as follows:

Number of employees	Exercise price	Date of issue	Date first exercisable	Date of expiry	Number of share options
2	5.0p	12/10/11	See below	12/10/21	267,500
1	2.38p	25/03/13	See below	25/03/23	1,260,500
					1,528,000

The options issued on 25 March 2013 can be exercised only on a change of control of the Company.

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:	2021 Number	2020 Number
Outstanding at beginning of period	**1,528,000**	2,000,500
Additions during the period	**11,282,806**	-
Expired during the period	**(267,500)**	-
Leavers during the period	**(1,260,500)**	(472,500)
Outstanding at end of year	**11,282,806**	1,528,000
Exercisable at end of year	**-**	-

20 Called up share capital *(continued)*

The weighted average exercise price of the share options outstanding at the period end is 1.04p (2020: 2.8p) and the weighted average contractual life of the options outstanding at the end of the period is 9.45 years (2020: 2.2 years).

Details of parent company share option schemes outstanding at the end of the period.

11,282,806 EMI options granted 10 June 2021.

The fair values of the options were 1.04 pence per option at the date of grant. The conditions for exercise fall into 3 tranches, as follows:

Tranche 1 – 2,765,000 options

Within 5 years from the date of grant, the options can be exercised only on a change of control of the Company, in which case the options vest immediately. On the fifth anniversary of the date of grant, the options vest in full subject to the option holder remaining an employee of the Company.

Tranche 2 – 6,806,505 options

Within 5 years from the date of grant, the options can be exercised only on a change of control of the Company where the price paid by the acquiring entity is 30 pence per share or higher. After 5 years from the date of grant, the options will vest where the share price is 30 pence per share or higher based on the following formula:

$$\text{Share Price} = \frac{\text{EBITDA} \times 8}{\text{No. of shares in issue}}$$

Subject to the option holder remaining an employee of the Company.

Tranche 3 – 1,711,301 options

Within 5 years from the date of grant, the options can be exercised in full only on a change of control of the Company where the price paid by the acquiring entity is 50 pence per share or higher using the formula set out for Tranche 2. If the share price is above 30 pence per share but below 50 pence per share the options will vest on a pro rata basis.

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 A, B, C, D, E, F, G and I ordinary shares in certain of the subsidiary group companies by key employees. Following a set period of time and under specific circumstances, these 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.

The charge to the consolidated statement of comprehensive income is £129,000 (2020: £nil).

21 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.

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 in 2007.

22 Acquisitions

On 29 February 2020, the Group acquired the entire share capital of Term Time Teachers Limited and entire Membership Interest of Term Time Teachers (2) LLP (together "Term Time Teachers") for an initial consideration of £2.8 million. A further maximum of £0.8 million of deferred contingent consideration is payable dependant on Term Time Teachers achieving certain levels of gross margin in the two years following acquisition. The payment of these additional amounts is dependent on the continuing employment of the former shareholders and they are therefore accounted for as post acquisition remuneration, as required by IFRS 3, rather than part of the consideration on acquisition. This has resulted in a charge of £0.3 million (2020: £0.2 million) being recognised in the 15 month period ended 31 December 2021.

The trade relates to education recruitment operating in Kent which has enhanced the Group's coverage in this region and is aligned with the Group's acquisition strategy.

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

	£'000	£'000
Tangible fixed assets	**8**	
Trade and other receivables	**327**	
Cash	**2,432**	
Corporation tax	**(33)**	
Trade and other payables	**(267)**	
Net assets		**2,467**
Consideration		
Cash on completion		**2,766**
Goodwill		**299**

The directors did not identify any other separable intangible assets in respect of this acquisition. The goodwill represents the expected value of synergies from the integration into a larger group.

Included in the results of the Group for the year is revenue of £3,124,000 (2020: £571,000) and a profit before tax of £341,000 (2020: loss before tax of £11,000) in respect of Term Time Teachers since acquisition.

23 Leases

The Group lease a number of office premises as well as a proportion of the motor vehicle and printer fleet under non-cancellable lease agreements. Certain leases are reported as right-of-use assets on the balance sheet as well as the associated lease liability within borrowings. Interest on the liabilities, calculated at the incremental borrowing rates (vehicle and printer fleet: 6.1%, office and other properties: 4.0%) is charged to the income statement monthly.

The total future minimum lease payments on those leases, which do not fall within the scope of right-of-use assets, are due as follows:

Operating leases	**31 December 2021 Land and buildings £'000**	30 September 2020 Land and buildings £'000
Not later than one year	**31**	51
Later than one year but less than five years	**-**	-
More than 5 years	**-**	-
	31	51

IFRS 16 lease liabilities – right-of-use assets	**31 December 2021 Land and buildings £'000**	**31 December 2021 Other £'000**	30 September 2020 Land and buildings £'000	30 September 2020 Other £'000
Not later than one year	**374**	**122**	387	82
Later than one year but less than five years	**1,066**	**289**	1,213	90
More than 5 years	**643**	**-**	407	-
	2,083	**411**	2,007	172

The carrying value of those assets reported as right-of-use are reported in note 13.

The following expenses relating to lease liabilities were recognised in the 15 month period ended 31 December 2021 as a result of IFRS 16:

	2021 £'000	2020 £'000
Depreciation charge	**740**	603
Interest expense	**158**	103
Total cash outflows	**964**	718

24 Notes to the consolidated statement of cash flows

Cash and cash equivalents

	31 December 2021 £'000	30 September 2020 £'000
Cash and cash equivalents	**9,331**	6,003
Invoice discounting facilities	**-**	-
Total cash and cash equivalents at end of period	**9,331**	6,003
Cash and cash equivalents at beginning of period	**6,003**	(3,284)
Increase in cash and cash equivalents from continuing operations	**3,328**	7,936
Increase in cash and cash equivalents from discontinued operations	**-**	1,351
Net increase in cash and cash equivalents	**3,328**	9,287

25 Pensions

The Group operates independently administered defined contribution pension schemes on behalf of certain employees. The schemes have been established for a number of years. The Group has complied with the Auto Enrolment legislation of The Pension Act and employees have been enrolled as the companies have reached their staging dates.

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 period.

26 Related party transactions

Key management personnel are defined as being Directors of Servoca Plc. Salaries, pension and benefits totalling £1,127,000 (2020: £872,000) and employer national insurance contributions of £156,000 (2020: £120,000) were paid in relation to key management personnel. Further information on their remuneration is set out in note 4.

SERVOCA Plc
Company statement of financial position
At 31 December 2021 Company registration number: 02641313

	Note	31 December 2021 £'000	30 September 2020 £'000
Fixed assets			
Tangible assets	4	**242**	637
Investments	5	**10,407**	9,807
		10,649	10,444
Current assets			
Debtors - due after more than one year	6	**10,026**	383
- due in less than one year	6	**1,262**	2,643
Cash at bank and in hand		**57**	69
		11,345	3,095
Creditors: amounts falling due within one year	7	**(754)**	(951)
Net current assets		**10,591**	2,144
Total assets less current liabilities		**21,240**	12,588
Creditors: amounts falling due after more than one year	8	**(3,899)**	(11,538)
Net assets		**17,341**	1,050
Capital and reserves			
Called up share capital	9	**1,256**	1,256
Share premium account		**203**	203
Profit and loss account		**15,882**	(409)
Total equity		**17,341**	1,050

As permitted by S408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes as it prepares group accounts. The Company's profit for the year was £16,073,000, which included dividend income of £16,683,000 from fixed asset investments (2020: loss of £223,000).

The financial statements were approved by the Board and authorised for issue on 22 April 2022 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 45 to 52 form part of these financial statements.

SERVOCA Plc
Company statement of changes in equity
At 31 December 2021

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
Balance at 1 October 2019	**1,256**	**203**	**(186)**	**1,273**
Profit for the year being total comprehensive income for the year	-	-	(223)	(223)
Transactions with owners				
Share based payment expense	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 September 2020	**1,256**	**203**	**(409)**	**1,050**
Profit for the period being total comprehensive income for the period	-	-	16,073	16,073
Deferred tax arising from share based payment expense	-	-	89	89
Transactions with owners				
Share based payment expense	-	-	129	129
Total transactions with owners	-	-	129	129
Balance at 31 December 2021	**1,256**	**203**	**15,882**	**17,341**

The notes on pages 45 to 52 form part of these financial statements.

1 General information

Servoca Plc ("the Company") is a Public company limited by shares domiciled and incorporated in England and Wales.
The address of the Company's registered office and principal place of business is Kingston House, Towers Business Park, Wilmslow Road, Manchester M20 2LD.

2 Accounting policies

The following principal accounting policies have been applied:

Basis of accounting

These financial statements of Servoca Plc are prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 9.

The Company'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 Group has prepared trading and cash flow forecasts for the period to 31 December 2024 which show that the Group will have significant headroom on borrowing facilities. Given the Group's current trading performance, strong balance sheet and cash position alongside the significant headroom on borrowing facilities, the directors have a reasonable expectation that there are no material uncertainties that cast on the Company's ability to continue in operation. For these reasons the financial statement have been prepared on a going concern basis.

Reduced disclosure

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosures:

- Section 4 'Statement of Financial Position' – Reconciling the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instruments Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;
- Section 26 'Share Based Payment' – Share based payment expense charged to profit or loss, reconciliation of opening and closing number of weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash settled and share based payments, explanation of modifications to arrangements; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

2 Accounting policies *(continued)*

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.

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value, as follows:

Fixtures, fittings and office equipment	- 10%-25% on cost
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 the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Financial instruments
The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments', in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets
Group and other debtors
Group, and other debtors (including accrued income) which do not constitute a financing transaction, are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of group and other debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

2 Accounting policies *(continued)*

Financial liabilities and equity
Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade, group and other creditors
Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

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 Financial Standards and the Group's accounting policies:

- Impairment of investments and inter company debtors. Investments and inter company debtors are 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

Dividends
Equity dividends are recognised either when they are paid or a liability is established by approval of the shareholders.

Leased assets
Operating leases
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 defined contribution pension schemes. 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.

2 Accounting policies *(continued)*

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

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

3 Employees

	15 months ended 31 December 2021 £'000	12 months ended 30 September 2020 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**2,087**	1,559
Social security costs	**236**	205
Redundancy costs	**-**	142
Pension contributions	**33**	26
Share-based payments	**129**	-
	2,485	1,932

	2021 Number	2020 Number
The average monthly number of employees, including directors, during the year was as follows:		
Operations	**4**	4
Financial and administration	**26**	30
	30	34

Details of the remuneration of the directors are provided in note 4 on page 24 of the Group financial statements.

4 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2020	604	250	1,388	2,242
Additions	-	-	33	33
Disposals	(342)	(160)	(464)	(966)
At 31 December 2021	**262**	**90**	**957**	**1,309**
Depreciation				
At 1 October 2020	305	158	1,142	1,605
Charge for the period	63	23	96	182
Disposals	(148)	(108)	(464)	(720)
At 31 December 2021	**220**	**73**	**774**	**1,067**
Net book value				
At 31 December 2021	**42**	**17**	**183**	**242**
At 30 September 2020	299	92	246	637

5 Investments

	Subsidiary undertakings £'000	Unlisted investments £'000	Total £'000
Cost			
At 1 October 2020	12,655	-	12,655
Additions	-	600	600
At 31 December 2021	**12,655**	**600**	**13,255**
Provisions			
At 1 October 2020 and 31 December 2021	**2,848**	**-**	**2,848**
Net book value			
At 31 December 2021	**9,807**	**600**	**10,407**
At 30 September 2020	9,807	-	9,807

A list of the main subsidiary companies is disclosed in note 14 to the Group financial statements.

Details of the unlisted investment is disclosed in note 11 to the Group financial statements.

6 Debtors

	31 December 2021 £'000	30 September 2020 £'000
Amounts due within one year:		
Other tax and social security	**616**	1,043
Other debtors	**300**	1,390
Prepayments and accrued income	**275**	210
Deferred tax	**71**	-
	1,262	2,643

	31 December 2021 £'000	30 September 2020 £'000
Amounts due in more than one year:		
Other debtors	**675**	250
Due from group companies (non interest bearing)	**9,351**	133
	10,026	383

The Company has an unrecognised deferred tax asset of £246,000 (2020: £246,000) 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.

7 Creditors: amounts falling due within one year

	31 December 2021 £'000	30 September 2020 £'000
Trade creditors	**62**	54
Deferred tax	**-**	32
Other taxation and social security	**80**	67
Other creditors	**89**	326
Accruals and deferred income	**523**	472
	754	951

The Company is part of a group VAT registration and the total group liability at 31 December 2021 was £2,484,000 (2020: £2,293,000).

8 Creditors: amounts falling due after more than one year

	31 December 2021 £'000	30 September 2020 £'000
Amounts due to group companies (non interest bearing)	**3,899**	11,538

9 Called up share capital

	31 December 2021 Number '000	31 December 2021 £'000	30 September 2020 Number '000	30 September 2020 £'000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	125,575	1,256	125,575	1,256

Movements in the Company's own shares are disclosed in note 20 to the Group financial statements.

Share options
Details of the Company's share option schemes and long term incentive plans are provided in note 20 in the notes forming part of the consolidated financial statements.

The charge to profit and loss in respect of the share based payment transactions during the period is £129,000 (2020: £nil).

10 Operating leases

The total future minimum lease payments are due as follows:

	31 December 2021 Land and buildings £'000	31 December 2021 Other £'000	30 September 2020 Land and buildings £'000	30 September 2020 Other £'000
Amounts due:				
Not later than one year	**231**	**119**	190	38
Later than one year but less than five years	**904**	**276**	710	60
In more than 5 years	**720**	**-**	325	-
	1,855	**395**	1,225	98

11 Pensions

The Parent Company operates defined contribution independently 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. The contributions paid during the year were £33,000 (2020: £26,000).

12 Related party transactions

The Company has taken advantage of exemptions under FRS102 Section 33 "Related Party Transactions" from disclosing transactions with fellow group companies.

13 Events after the reporting period

On 8 March 2022 the Company announced its intention to return up to £10 million to Shareholders by a repurchase of their Ordinary Shares by way of a Tender Offer at a price of 30 pence per Ordinary Share.

The Company received tender offers totalling 35,596,357 Ordinary Shares. This exceeded the maximum £10 million proposed and as a result, each Shareholder that tendered their Ordinary Shares has had their acceptances scaled back to 93.64% of the total number of Ordinary Shares tendered by them for purchase by the Company.

Subject to Shareholder approval at the AGM on 28 April 2022, the Company will proceed with the Share Buyback.