Company registration number: 02641313

SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2017

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
Emma Caplan	Non – Executive Director

Company Secretary and Registered Office
Chris Hinton, ACA
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London, E15 4LJ

Registrars
Link Asset Services
The Registry
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Beckenham
Kent, BR3 4TU

Company Number
02641313

Country of Incorporation
United Kingdom

Nominated Adviser and Broker
N+1 Singer
1 Bartholomew Lane
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Legal Form
Public limited company

Bankers
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Independent Auditor
RSM UK Audit LLP
25 Farringdon Street
London, EC4A 4AB

Financial Public Relations Advisers
Newgate Threadneedle
Skylight City Tower
50 Basinghall Street
London, EC2V 5DE

Introduction

We are pleased to report that for the year ended 30 September 2017 we have delivered another year of improved performance for the Group. Revenue and adjusted pre-tax profits achieved double-digit growth over prior year and continue to evidence the resilience of the Group's business mix.

Both our Recruitment and Outsourcing operations delivered revenue growth and improved adjusted profitability over prior year with the biggest increase in operating profit coming from our Outsourcing businesses.

Our Security business benefited from the combined impact of sales growth and action taken at the end of the prior year to reduce overheads. It has therefore seen a substantial increase in operating profits. As reported in our Interim statement, our Domiciliary Care business had made good progress in the first half and was well positioned for the full year. We are pleased to report that this progress accelerated in the second half helping to deliver a significant improvement in financial performance over prior year.

Our Recruitment operations all delivered increased revenue with the improvement to profitability being led by our Health and Social Care business and our Criminal Justice division. Our recruitment services into the NHS and parts of the Education market faced a more challenging year. It is therefore particularly pleasing to see adjusted operating profits continue to move forward in the Recruitment operation despite these challenges.

The Group's strong financial performance enables the Board to propose a dividend of 0.40p per share for the year end (2016: 0.35p), an increase of 14.3% over the prior year.

The Board also intends to continue the current policy of buying back the Group's shares, in particular at recent price levels, which the Board thinks fail to fairly represent the value of the company. Our strong balance sheet and operating cash flow enable us to continue to do so for the foreseeable future.

Financial review

Group revenue was £80.2 million compared with £69.2 million (2016), an increase of 15.9%. Gross profit for the year was £19.7 million against £18.6 million (2016), an increase of 5.9%.

Adjusted EBITDA* increased to £4.4 million (2016: £3.9 million), an increase of 12.8%. Unadjusted EBITDA was £3.4m (2016: £3.3m).

Adjusted profit before taxation* was £3.9 million (2016: £3.5 million), an increase of 11.4%. Unadjusted profit before taxation was £2.9m (2016: £2.9m).

Adjusted profit after taxation* was £3.2 million (2016: £2.8 million), an increase of 14.3%. Unadjusted profit after taxation was £2.2m (2016: £2.1m).

Adjusted basic earnings per share* were 2.56p compared with 2.25p (2016), an increase of 13.8%. Unadjusted basic earnings per share were 1.74p (2016: 1.71p).

***** *Before share based payment charges, amortisation of intangible assets and contingent consideration totalling £1.0m (2016: £0.7m).*

Cash generated from operations was £2.7 million (2016: £2.3 million)

Financial review (continued)
Net debt decreased by £0.1 million from £2.4 million at 30 September 2016 to £2.3 million at 30 September 2017. The principal differences between cash generated from operations of £2.7 million and the £0.1 million decrease in net debt were corporation tax payments of £1.0 million, the purchase of property, plant and equipment of £0.7m, the 2016 final dividend of £0.4 million and £0.3 million in respect of the purchase of own shares.

The dividend of 0.40p per share will be paid on 9th February 2018 to shareholders on the register on 5 January 2018. The associated ex-dividend date is 4 January 2018.

The principal risks and uncertainties facing the Group and Company and the disclosure of key performance indicators are set out in the Report of the Directors on pages 6 to 10.

Operational highlights
Strategy and delivery
The focus in the period has remained the development of the Group's capabilities in those areas that afford good growth opportunities. We would like to thank all of our employees for their excellent contribution to another successful year.

Outsourcing
Our outsourcing activities are primarily based in two areas; Domiciliary Care and Security. Combined revenues from these areas were up 17% on prior year and accounted for 21% of Group revenues.

Our **Security** business increased revenues by 14% and gross profit by 8% over the prior year. Combined with previous action taken to yield a more efficient overhead base, this produced a substantial improvement in operating profit.

Growth was led by our Manned Guarding and Electronic security offerings. As referenced in our Interim Statement, both of these areas secured substantial additional work towards the end of the prior year that we have seen material benefit from during the year under report.

The growth in our Electronics division is largely attributable to the substantial expansion of an existing contract. The contract involves the deployment of a unique software solution for loss prevention in the retail industry. The client is a major national UK grocery retailer that has deployed the product for several years in a sizeable number of their stores. Having carefully monitored the results and return on investment during this period, the client has committed to a significant expansion into what is expected to be a majority of their store estate over the next few years.

Our **Domiciliary Care** business increased revenues by 19% and gross profit by 12% over the prior year and this has also led to a material improvement in their operating profit.

In our Interim Statement for the six months ended 31 March 2017, we reported that our **Domiciliary Care** business had enjoyed a better start to the year and that results were ahead of the same period in the prior year. We are pleased to report that this progress has accelerated in the second half with revenues and gross profit both 18% higher than in the first half. The second half has benefitted from the implementation of some meaningful new contract wins that were secured earlier in the year.

Outsourcing (continued)
This year has seen the start of action that recognizes the sector had to receive additional funding in order for critical health and social care services to remain viable. There have been well documented pressures on providers' costs in recent years (including increases to the National Living Wage, Pension Auto-Enrolment and Apprenticeship Levy costs) and equally well documented funding constraints that have resulted in static or declining charge rates. There is also increasing recognition that a failure to adequately fund care in the community only increases the financial and resource burden placed upon the NHS in hospital settings or elsewhere. The adult social care precept has been one step towards generating additional funding and our experience during the year under report has been that the majority of commissioning authorities have increased fee rates in line with increases to statutory costs.

We have always managed costs tightly in this business area and retained a focus on only those supply arrangements that we believed were sustainable. We continue to adopt this philosophy and this has given us a solid foundation for profitable growth. The new contract wins are consistent with these principles and are therefore delivering a positive impact on operating profits.

Recruitment
Our recruitment businesses supply into the Education, Healthcare and Criminal Justice markets. Combined revenues from these areas were up 16% on prior year and accounted for 79% of Group revenues.

Our **Healthcare** recruitment division has enjoyed another year of significant growth over prior year, increasing revenues by 16% and gross profits by 11%. This also led to the most significant improvement to prior year operating profits of any area of the Group.

It is important to understand that our services in this area operate in two distinct markets through separate subsidiary brands. Servoca Nursing and Care supplies temporary resource to the Health and Social Care market, which is almost exclusively within the private sector, whilst Firstpoint Healthcare supplies Nursing and Care professionals into the NHS. This distinction continues to prove important as, whilst revenues increased in both areas, gross profit and adjusted operating profit growth came entirely from our Health and Social Care supply.

As previously reported, the NHS supply has faced significant challenges, largely as a result of previously imposed agency price caps and a focus on reducing agency spend. This has been compounded in the second half of this year by reforms to IR35 and the use of personal service companies in the public sector. In response to these challenges and the margin pressure that resulted, we have focused efforts on increasing volumes of supply in an efficient manner to protect profitability. This has included the restructure of support operations and the establishment of a low cost offshore capability. It is therefore pleasing that we have increased revenues over prior year and seen only a relatively modest reduction in profitability.

Our Health and Social Care business has enjoyed a great year and built on a strong start to deliver revenue and gross profit growth of almost 30% over prior year. This has led to a substantial improvement in adjusted operating profits. The business has maintained good momentum during the second half and over the course of the year has increased the weekly gross profit run rate by 25% and the volume of weekly hours supplied by over 23%. We also opened a new branch in the second half of the year.

***Recruitment* (continued)**
Our Health and Social Care business accounted for approximately two thirds of all operating profit within our Healthcare recruitment operations.

As reported in our Interim statement, our **Education** recruitment business had seen increased revenues but reduced gross profit and this has remained the case for the full year. Revenues in this area were up 3% but gross profit was down 3%, leading to reduced operating profits over prior year.

Performance within this business shows distinct variances with our Regional offices seeing increased operating profits but our largest London facing operation materially down. This has impacted Permanent Fee Income as the majority comes from supply into the London and Home Counties areas.

Demand continues to outstrip supply despite the budget pressures faced by schools and there remains an acute shortage of qualified teachers. This shortage is evidenced by our successful appointment as one of only six suppliers to a major international recruitment framework being run by the Department for Education. This framework has been developed to try and recruit 1,200 additional Maths and Science teachers over the next 4 years. This initiative is set to deliver a positive impact on our Permanent Fee Income and builds on the investment we have made in prior years in our International sourcing capabilities.

We continue to develop our branch network where appropriate opportunity is identified and have taken action to strengthen management in London facing operations that has started to make a positive impact in the current year.

Our **Criminal Justice** business delivered a material improvement over prior year with revenues up 50% and gross profits 23% higher. This led to a substantial improvement in its operating profits.

As previously reported, this business has benefitted from a significant contract win for the supply of temporary probation staff towards the end of the prior year. Delivery into the contract has successfully continued to build throughout the year and has helped contribute towards the significant improvement in its revenues and profit over prior year.

Outlook

The balanced and diversified nature of the Group continues to provide growth opportunities. We anticipate that opportunities available to our Education, Health and Social Care and Domiciliary Care businesses in particular will offset current challenges in the area of NHS supply. We therefore continue to be confident about our future.

This Review and Strategic Report was approved by the Board of Directors on 15 December 2017 and signed by order of the Board.

John Foley
Non Executive Chairman
15 December 2017

Andrew Church
Chief Executive Officer
15 December 2017

The directors present their report together with the audited financial statements for the year ended 30 September 2017.

Principal activities
The principal activities of the Group are the provision of specialist outsourcing and recruitment services to customers in the medical, educational and security 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: this has increased by 15.9% (2016: increase of 17.7%)
- Gross margin percentage: 24.5% (2016: 26.9%)
- Profit before tax, share based payment charges, amortisation of intangible assets and contingent consideration: £3.9 million (2016: £3.5 million).

Trading review, results and dividends
The consolidated statement of comprehensive income is set out on page 15 and shows the results for the year.

Group revenue for the year was £80.2 million (2016: £69.2 million) which produced a gross profit of £19.7 million (2016: £18.6 million). The profit before taxation for the year was £2.9 million after a share based payment charge of £0.1 million, amortisation of intangible assets of £0.1 million and contingent consideration payments on previous acquisitions of £0.9 million (2016: £2.9 million after a share based payment charge of £0.1 million, amortisation of intangible assets of £0.1 million and contingent consideration of £0.5).

A dividend of 0.35p per share was paid during the year in respect of the year ended 30 September 2016. A dividend of 0.40p per share will be proposed at the Annual General Meeting on 30 January 2018.

Share capital
During August 2017, the Company carried out a share reorganisation in order to reduce the number of small shareholders and offer those shareholders holding 2,000 or less shares in the Company an option to sell their holdings back to the Company. As a result of this reorganisation, the Company purchased 154,656 shares for a total consideration of £36,727 which represented 1,047 small shareholders from the pre-reorganisation number of 1,203. This left the total number of shareholders after the reorganisation of 156.

The Company acquired 1,270,946 of its own 1p shares in the year for £312,311 (including the 154,656 mentioned above) (2016: acquired 1,149,038 for £276,376) and transferred none of its own shares at nominal value (2016: 250,000). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 2,630,084 which represented 2.09% of the called up share capital of the Company (2016: 1,359,138 representing 1.08%). The Company has the right to re-issue these shares at a later date. The maximum number of treasury shares held during the year was 2,630,084 (2016: 1,359,138).

Further details of share capital are set out note 18 to the financial statements.

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 17 to the financial statements. The Board meets on a regular basis to discuss the continuing management of these risks and uncertainties and identify any new exposures as they arise.

Directors
The following directors held office since 1 October 2016:

Director		Office held
John Foley		Non-Executive Chairman
Andrew Church		Chief Executive Officer
Glenn Swaby	(resigned 2 November 2017)	Chief Financial Officer
Chris Hinton	(appointed 2 November 2017)	Chief Financial Officer
Emma Caplan		Non-Executive Director

Directors' remuneration	2017			2016
Director	Emoluments and benefits £'000	Pension contributions £'000	Total £'000	Total £'000
Bob Morton	-	-	-	40
John Foley	40	-	40	30
Andrew Church	452	-	452	409
Glenn Swaby	120	62	182	178
Emma Caplan	25	-	25	20
	637	62	699	677

Interests in shares

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

Director	30 September 2017 Ordinary shares of 1p Number	1 October 2016 Ordinary shares of 1p Number
John Foley	4,895,000	4,895,000
Andrew Church	6,889,413	6,889,413
Glenn Swaby	103,833	103,833
Emma Caplan	6,551,514	6,551,514

Interests in share options and long term incentive plans

At the reporting date the directors then in office held options to subscribe for ordinary shares as follows:

Director	Exercise price	Date of grant	Date first exercisable	Date of expiry	Ordinary shares of 1p each at 30 September 2017
Glenn Swaby	2.38	25/03/13	See below	25/03/23	1,260,500

The above share options are only exercisable on change of control of the Company.

The mid-market price of the Company's shares on 30 September 2017 was 23.5 pence. The lowest mid-market price during the period from 1 October 2016 to 30 September 2017 was 19.2 pence and the highest mid-market price during the year was 28.0 pence.

Information on directors

John Foley, ACA, Barrister – Non - Executive Chairman

Aged 62, John is a Chartered Accountant and a Barrister. He was formerly Chief Executive of MacLellan Group Plc, a facilities services company that was sold to Interserve plc for an enterprise value of £130m in 2006. John is Chairman of Premier Technical Services Group (PTSG), a publicly quoted provider of specialist facilities services, and holds several Board positions in both public and private companies.

Andrew Church – Chief Executive Officer

Aged 46, Andrew joined as the Group's Chief Executive Officer with effect from 24 November 2008. Andrew was formerly a main board director of Lorien Plc and Managing Director of its resourcing division.

Chris Hinton, ACA – Chief Financial Officer

Aged 47, Chris is a Chartered Accountant who qualified with Price Waterhouse. Chris has extensive public company and recruitment experience most notably with Lorien Plc where he acted as Chief Financial Officer on the main board. Chris has also held a number of other private and public company directorships and was appointed to the board as Chief Financial Officer on 2nd November 2017.

Emma Caplan, Non – Executive Director

Emma, 50, joined the Board on 16 December 2008 as an executive director. Emma was the founding director of Academics Holdings Limited and Academics Limited. Emma had built the business to a revenue approaching £15 million per annum when it was acquired by the Group in March 2008. She became a non-executive director on 15 July 2010.

Substantial shareholders
At 13 December 2017 those shareholders which had notified the Company of a disclosable interest of 3% or more in the share capital of Servoca Plc are set out below:

Holder	Ordinary shares of 1p each	Percentage
Hawk Investment Holdings Limited	32,407,481	25.81
Groundlinks Limited	16,966,162	13.51
Seraffina Holdings Limited	16,054,659	12.78
Retro Grand Limited	12,540,000	9.99
Andrew Church	6,889,413	5.49
Emma Caplan	6,551,514	5.22
John Foley	4,895,000	3.90

Financial instruments
Details of the Group and Company's use of financial instruments and their associated risks are given in note 17 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 by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

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

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

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

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

Going concern
The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer Review and Strategic Report on pages 2 to 5 and in the Directors' Report above. In addition note 17 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 directors have prepared trading and cash flow forecasts for the period to 31 December 2018 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

EU Referendum
Following the UK's decision to leave the EU following the referendum on 23 June 2016 and the consequential uncertainty surrounding the UK economy, the Board has continued to monitor the impact of this decision on the Company's markets. We have not as yet seen a reduction in demand for our services or the availability of temporary workers. Whilst it is too early to determine the longer-term impact of Brexit, the Board is confident that the Company's scale and expertise will allow it to comfortably manage any gradual tightening in the labour market.

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 the next annual general meeting of the Company.

This report was approved by the Board of Directors on 15 December 2017 and signed by order of the Board.

Chris Hinton
Company Secretary 15 December 2017

Independent auditor's report on group and parent

To the members of Servoca Plc

Opinion

We have audited the financial statements of Servoca Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2017 which comprise the consolidated statement of comprehensive income, consolidated and parent statements of changes in equity, consolidated and parent statements of financial position, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and the United Kingdom Accounting Standards including 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 30 September 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 as applied to listed entities 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Goodwill
Risk:
The Group carries goodwill amounting to £8.8m in respect of past business acquisitions. The recoverability of the goodwill arising on these acquisitions is dependent on the individual businesses acquired sustaining sufficient cash flows in the future. Due to the inherent uncertainty involved in forecasting future cash flows and selection of an appropriate discount rate, which are the basis of the assessment of recoverability, this is a significant risk area that our audit focused on.

Refer to note 11 to the financial statements for the disclosures relating to the goodwill and the related impairment assessments.

Our response:
Our audit procedures included testing of the discounted cash flow model, challenging the judgements and assumptions used by management in the value in use calculation and performing sensitivity analysis on the cash flow model.

We have used our knowledge of comparable companies and market data to challenge the assumptions, in particular the revenue growth rate assumptions and the inputs and methodology in determining the discount rate used to calculate the present value of projected future cash flows.

We considered the historical accuracy of key assumptions by comparing the previous estimates of profitability and related cash flows to the actual amounts achieved. We assessed management's sensitivity of key assumptions, including the revenue growth rates forecast profitability and the discount rate and considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to reasonably possible changes in key assumptions were adequate and properly reflected the risks inherent in the assessment of the recoverable amount of the cash generating units containing goodwill.

Our application of materiality
When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole at £536k which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10K, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
Our audit was scoped by obtaining an understanding of the Group and its control environment, including Group-wide controls, and assessing the risks of material misstatement. We performed full scope audits on all non-dormant entities. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 its 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 pages 9 and 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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.

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.

David Clark (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London. EC4A 4AB
15 December 2017

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2017

	Note	**2017** Before Amortisation, share based payments and contingent consideration £'000	**2017** Amortisation, share based payments and contingent consideration (see note 7) £'000	**2017** Total £'000	2016 Before Amortisation, share based payments and contingent consideration £'000	2016 Amortisation, share based payments and contingent consideration (see note 7) £'000	2016 Total £'000
Continuing operations							
Revenue	2	**80,152**	**-**	**80,152**	69,234	-	69,234
Cost of sales		**(60,493)**	**-**	**(60,493)**	(50,593)	-	(50,593)
Gross profit		**19,659**	**-**	**19,659**	18,641	-	18,641
Administrative expenses		**(15,669)**	**(1,018)**	**(16,687)**	(15,026)	(665)	(15,691)
Operating profit	6	**3,990**	**(1,018)**	**2,972**	3,615	(665)	2,950
Finance costs	8	**(95)**	**-**	**(95)**	(77)	-	(77)
Profit before taxation		**3,895**	**(1,018)**	**2,877**	3,538	(665)	2,873
Tax charge	9	**(724)**	**-**	**(724)**	(740)	-	(740)
Total comprehensive income for the year, net of tax, attributable to owners of the parent		**3,171**	**(1,018)**	**2,153**	2,798	(665)	2,133
Earnings per share:		**Pence**	**Pence**	**Pence**	Pence	Pence	Pence
- Basic	5	**2.56**	**(0.82)**	**1.74**	2.25	(0.54)	1.71
- Diluted	5	**2.53**	**(0.82)**	**1.71**	2.22	(0.53)	1.69

The notes on pages 19 to 46 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2017

	Note	30 September 2017 £'000	30 September 2016 £'000
Assets			
Non-current assets			
Intangible assets	11	**8,907**	8,954
Property, plant and equipment	12	**1,153**	829
Total non-current assets		**10,060**	9,783
Current assets			
Trade and other receivables	14	**14,705**	12,842
Inventories		**269**	222
Cash and cash equivalents	21	**579**	342
Total current assets		**15,553**	13,406
Total assets		**25,613**	23,189
Liabilities			
Current liabilities			
Trade and other payables	15	**(6,880)**	(5,807)
Corporation tax payable		**(839)**	(1,127)
Other financial liabilities	16	**(2,915)**	(2,745)
Total current liabilities		**(10,634)**	(9,679)
Total net assets		**14,979**	13,510
Capital and reserves attributable to equity owners of the company			
Called up share capital	18	**1,256**	1,256
Share premium account	19	**202**	202
Merger reserve	19	**2,772**	2,772
Reverse acquisition reserve	19	**(12,268)**	(12,268)
Retained earnings		**23,017**	21,548
Total equity		**14,979**	13,510

The financial statements were approved by the Board and authorised for issue on 15 December 2017 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 19 to 46 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2017

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2015 attributable to equity owners of the parent	1,256	202	2,772	(12,268)	20,002	**11,964**
Profit for the year being total comprehensive profit (previously £2,674,000 before prior period adjustment of £541,000 – note 1)	-	-	-	-	2,133	**2,133**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	63	**63**
Dividend paid	-	-	-	-	(374)	**(374)**
Net purchase of treasury shares (note 18)	-	-	-	-	(276)	**(276)**
Total transactions with owners	-	-	-	-	(587)	**(587)**
Balance as at 30 September 2016 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**21,548**	**13,510**
Profit for the year being total comprehensive profit for the year	-	-	-	-	2,153	**2,153**
Transactions with owners:						
Share based payment expense (note 18)	-	-	-	-	63	**63**
Dividend paid	-	-	-	-	(435)	**(435)**
Net purchase of treasury shares (note 18)	-	-	-	-	(312)	**(312)**
Total transactions with owners	-	-	-	-	(684)	**(684)**
Balance as at 30 September 2017 attributable to equity owners of the parent	**1,256**	**202**	**2,772**	**(12,268)**	**23,017**	**14,979**

The notes on pages 19 to 46 form part of these financial statements.

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2017

	Note	2017 £'000	2016 £'000
Operating activities			
Profit before tax		**2,877**	2,873
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		**453**	381
Share based payments		**63**	63
Finance costs		**95**	77
Increase in inventories		**(47)**	(119)
Increase in trade and other receivables		**(1,863)**	(882)
Increase/(decrease) in trade and other payables		**1,139**	(72)
Cash generated from operations		**2,717**	2,321
Corporation tax paid		**(1,012)**	(466)
Cash flows from operating activities		**1,705**	1,855
Investing activities			
Acquisitions, net of cash acquired		**-**	(1,123)
Deferred consideration paid		**(66)**	(805)
Purchase of property, plant and equipment		**(730)**	(424)
Net cash flows used in investing activities		**(796)**	(2,352)
Financing activities			
Interest paid		**(95)**	(77)
Dividend paid		**(435)**	(374)
Net purchase of shares held in treasury		**(312)**	(276)
Net cash flows used in financing activities		**(842)**	(727)
Increase/(decrease) in cash and cash equivalents	21	**67**	(1,224)
Cash and cash equivalents at beginning of the year	21	**(2,403)**	(1,179)
Cash and cash equivalents at end of the year	21	**(2,336)**	(2,403)

The notes on pages 19 to 46 form part of these financial statements.

1 Accounting policies

Basis of preparation

Servoca is an AIM quoted 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 twelve month period to 30 September 2017 and the comparative figures represent a twelve month period to 30 September 2016.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer Review and Strategic Report and Directors' Report on pages 2 to 10. In addition note 17 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 directors have prepared trading and cash flow forecasts for the period to 31 December 2018 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Significant judgements and estimates

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

The critical judgements and estimates made in the preparation of the financial statements set out below are made in accordance with the appropriate 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 11.

1 Accounting policies *(continued)*

Significant judgements and estimates *(continued)*

- Provision for doubtful debts. Management reviews trade receivables on a regular basis and doubtful debts are provided for on the basis of expected recoverability based on credit ratings, knowledge of the customer, market conditions and previous experience. Further details are disclosed in note 14.
- 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, there have been no Standards and Interpretations that have become effective during the year that have a material impact on the Group.

Standards effective in future periods

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

- Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective for periods commencing 1 January 2017).
- Amendments to IAS 7: Disclosure Initiatives (effective for periods commencing 1 January 2017).
- IFRS 15 and Clarifications to IFRS 15: Revenue from Contracts with Customers (effective for periods commencing 1 January 2018).
- IFRS 9: Financial Instruments (effective for periods commencing 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for periods commencing 1 January 2018).
- IFRS 16: Leases (effective for periods commencing 1 January 2019).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (effective for periods commencing 1 January 2019).

The Directors are assessing the impact on the Group of the Standards or Interpretations which were in issue but not effective at the date of authorisation of these financial statements, including the above, but they do not think that there are any that will have a material impact on the financial statements of the Group or the Company.

Basis of consolidation

The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2017. 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.

1 Accounting policies *(continued)*

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.

Revenue from the sale of security products is recognised when the risks and rewards of ownership have passed to the customer, which is usually on delivery. Revenue from maintenance and auditing in relation to the sale of security products is recognised on a monthly basis over the term of the agreements.

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)*

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful lives. The amortisation expense is included within the administrative expenses line in the consolidated statement of comprehensive income.

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

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

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

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	-	either 25% on a reducing balance basis or 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

Inventories

Inventories are goods held for resale and installation and are valued at the lower of historical cost and net realisable value on a first in first out basis.

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.

1 Accounting policies *(continued)*

Deferred taxation *(continued)*

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

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

Financial instruments

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

Financial assets

The 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.

Financial liabilities and equity instruments

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

The Group operates invoice discounting facilities on its trade receivables. Advances of between 80% and 85% of the agreed balances can be drawn down in advance. Interest is payable at a prevailing commercial rate on balances drawn. Invoice discounting facilities are shown within current liabilities in the statement of financial position.

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.

1 Accounting policies *(continued)*

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.

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.

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.

Adjustments in respect of prior period results

The acquisition of subsidiaries in prior years gives rise to an obligation to pay contingent consideration based on future earnings. The Group is therefore required to make an estimate at each year end of the amount of contingent consideration payable and to reflect this within the financial statements. In the prior year, the Group accounted for contingent consideration on the basis of cash payments made in the year. In the year ended 30 September 2017 the Group has accounted for contingent consideration on an accruals basis. As a consequence, the results for the year ended 30 September 2016 include a prior year adjustment to increase contingent consideration payable by £541,000 and to decrease profit for that financial year by the same amount. The retained earnings have decreased by £541,000 and trade and other payables has increased by the same amount as at 30 September 2016. The effect on the basic earnings per share is to decrease it from 2.15p to 1.71p and the diluted earnings per share from 2.12p to 1.69p. The adjustment reflects timing differences only and will have no impact on the overall charge in respect of contingent consideration for the acquisitions concerned.

2 Segmental analysis

The Group's primary format for reporting segment information is by business segment, being by type of service supplied. The operating divisions are organised and managed by reporting segment where applicable and by divisions within a reporting segment where necessary. This information is provided to the Board of Directors.

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

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

2017	**Outsourcing £'000**	**Recruitment £'000**	**Unallocated £'000**	**Total £'000**
Revenue	17,225	62,927	-	**80,152**
Segment expense	(16,608)	(57,927)	(1,627)	**(76,162)**
Operating profit/(loss) before amortisation, share based payment expense and contingent consideration	617	5,000	(1,627)	**3,990**
Amortisation, share based payment expense and contingent consideration	(52)	(934)	(32)	**(1,018)**
Operating profit/(loss)	565	4,066	(1,659)	**2,972**
Finance costs	(31)	(64)	-	**(95)**
Profit/(loss) before tax	534	4,002	(1,659)[1]	**2,877**
Statement of financial position				
Assets	6,935	17,554	1,124	**25,613**
Liabilities	(3,018)	(7,025)	(591)	**(10,634)**
Net assets	3,917	10,529	533	**14,979**
Other				
Capital expenditure	99	139	492	**730**
Depreciation	145	100	161	**406**
Amortisation	42	5	-	**47**

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

Included in the outsourcing revenue for the year is £1,699,000 (2016: £978,000) of revenue from the sale of electronic security products and associated services.

There is no customer that accounts for greater than 10% of the revenue.

2 Segmental analysis *(continued)*

2016	**Outsourcing £'000**	**Recruitment £'000**	**Unallocated £'000**	**Total £'000**
Revenue	14,786	54,448	-	**69,234**
Segment expense	(14,646)	(49,658)	(1,315)	**(65,619)**
Operating profit/(loss) before amortisation, share based payment expense and exceptional costs	140	4,790	(1,315)	**3,615**
Amortisation, share based payment expense and exceptional costs	(52)	(581)	(32)	**(665)**
Operating profit/(loss)	88	4,209	(1,347)	**2,950**
Finance costs	(23)	(54)	-	**(77)**
Profit/(loss) before tax	65	4,155	(1,347)[1]	**2,873**
Statement of financial position				
Assets	5,904	16,478	807	**23,189**
Liabilities	(2,907)	(6,262)	(510)	**(9,679)**
Net assets	2,997	10,216	297	**13,510**
Other				
Capital expenditure	63	1,245	305	**1,613**
Depreciation	144	82	108	**334**
Amortisation	42	5	-	**47**

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

3 Employees

	2017 £'000	2016 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**9,285**	8,900
Social security costs	**960**	920
Redundancy costs	**46**	59
Pension contributions	**116**	152
Share-based payments	**63**	63
	10,470	10,094

3 Employees (continued)

	2017 Number	2016 Number
The average monthly number of employees, including directors, during the year was as follows:		
Operations	**52**	48
Sales	**165**	162
Financial and administration	**31**	31
	248	241

4 Directors' remuneration

Total remuneration was as follows:	**2017 £'000**	2016 £'000
Salaries and benefits	**637**	615
Share based payments	**15**	15
Pension contributions	**62**	62
	714	692
Salary and benefits of the highest paid director:		
Salaries and benefits	**452**	409
Share based payments	**-**	-
Pension contributions	**-**	-
	452	409

During the year, one director had benefits accruing under defined contribution pension schemes (year ended 30 September 2016: one).

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

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

	2017 Number '000	2016 Number '000
At the beginning and end of the year	**1,261**	1,261

5 Earnings per share

The calculation of earnings per share is based on a weighted average number of shares in issue during the year of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
30 September 2017	**123,802,686**	**1,800,658**	**125,603,344**
30 September 2016	124,509,189	1,834,340	126,343,529

Basic earnings per share are calculated by dividing the net profit for the year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share are calculated by dividing the net profit attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares. Share options totalling 145,000 that could potentially dilute basic earnings per share in the future have not been included in the calculation of diluted earnings per share because they are antidilutive for the periods presented. See note 18 for details of share options.

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

Year ended 30 September 2017	**Basic £'000**	**Diluted £'000**
Profit for the year	**2,153**	**2,153**
Amortisation, share based payment expense and contingent consideration:		
Amortisation of intangible assets	**47**	**47**
Share based payment expense	**63**	**63**
Contingent consideration	**908**	**908**
Profit before amortisation, share based payments and contingent consideration	**3,171**	**3,171**

	Pence	**Pence**
Earnings per share	**1.74**	**1.71**
Amortisation, share based payment expense and contingent consideration:		
Amortisation of intangible assets	**0.04**	**0.04**
Share based payment expense	**0.05**	**0.05**
Contingent consideration	**0.73**	**0.73**
Adjusted earnings per share before amortisation, share based payments and contingent consideration	**2.56**	**2.53**

5 Earnings per share ***(continued)***

Year ended 30 September 2016	Basic £'000	Diluted £'000
Profit for the year	2,133	2,133
Amortisation, share based payment expense and contingent consideration:		
Amortisation of intangible assets	47	47
Share based payment expense	63	63
Contingent consideration	555	555
Profit before amortisation, share based payments and contingent consideration	2,798	2,798

	Pence	Pence
Earnings per share	1.71	1.69
Amortisation, share based payment expense and contingent consideration:		
Amortisation of intangible assets	0.04	0.04
Share based payment expense	0.05	0.05
Contingent consideration	0.45	0.44
Adjusted earnings per share before amortisation, share based payments and contingent consideration	2.25	2.22

6 Operating profit

	2017 £'000	2016 £'000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment	**406**	334
Amortisation of intangible assets	**47**	47
Share based payment expense	**63**	63
Contingent consideration	**908**	541
Operating lease rentals:		
- land and buildings	**684**	591
- other	**261**	194
Remuneration to auditor:		
- Audit of the Company's financial statements pursuant to legislation	**22**	21
- Audit of the subsidiaries' financial statements pursuant to legislation	**53**	49
- Other taxation compliance services	**15**	15

6 Operating profit *(continued)*

Analysis of expenses by nature	2017 £'000	2016 £'000
Direct cost of temporary placements	**59,358**	49,976
Staff costs	**10,470**	10,094
Cost of inventory	**1,135**	617
Depreciation and amortisation	**453**	380
Property costs	**1,406**	1,315
Others	**4,453**	3,979
	77,275	66,361

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

7 Amortisation, share based payments and contingent consideration

	2017 £'000	2016 £'000
Amortisation of intangible assets	**47**	47
Share based payments	**63**	63
Contingent consideration/costs of acquisitions	**908**	555
	1,018	665

8 Finance costs

	2017 £'000	2016 £'000
Invoice discounting facilities	**95**	77

9 Taxation

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

	2017 £'000	2016 £'000
Current income tax		
Current year charge	**776**	720
Adjustment in respect of earlier years	**(52)**	(45)
	724	675
Deferred tax		
Origination and reversal of temporary differences	**-**	12
Adjustment in respect of earlier years	**-**	53
	-	65
Income tax charge	**724**	740

9 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 years ended 30 September 2017 and 2016 is as follows:

	2017 **£'000**	2016 £'000
Profit before taxation	**2,877**	2,873
Profit before taxation multiplied by the average rate of corporation tax in the UK of 19.5% (2016: 20.0%)	**561**	575
Expenses not deductible for tax purposes	**223**	143
Temporary differences not recognised for tax	**(8)**	14
Adjustment in respect of earlier years	**(52)**	8
Total tax charge reported in the consolidated statement of comprehensive income	**724**	740

c) Deferred tax

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

	2017 **£'000**	2016 £'000
As at 1 October	**-**	65
Decelerated capital allowances:		
Movement in respect of current year	**-**	(12)
Movement in respect of prior years	**-**	(53)
As at 30 September	**-**	-

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:

	2017 **£'000**	2016 £'000
Capital losses for offset against future capital gains	**1,876**	1,876

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

10 Dividends

A dividend of 0.35p per ordinary share was paid during the year and a dividend of 0.40p will be proposed at the Annual General Meeting on 30 January 2018.

11 Intangible assets

	Goodwill £'000	Licences £'000	Customer relationships £'000	Total £'000
Cost				
Balance at 30 September 2015	**15,869**	**388**	**294**	**16,551**
On acquisition	1,187	-	-	1,187
Balance as at 30 September 2016 and 2017	**17,056**	**388**	**294**	**17,738**
Accumulated amortisation and impairment				
Balance at 1 October 2015	**8,279**	**178**	**280**	**8,737**
Amortisation for the year	-	42	5	47
Balance at 1 October 2016	**8,279**	**220**	**285**	**8,784**
Amortisation for the year	-	42	5	47
Balance at 30 September 2017	**8,279**	**262**	**290**	**8,831**
Net book value				
At 30 September 2015	7,590	210	14	7,814
At 30 September 2016	8,777	168	9	8,954
At 30 September 2017	**8,777**	**126**	**4**	**8,907**

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

	30 September 2017 £'000	30 September 2016 £'000
A-Day Consultants Limited	**5,334**	5,334
A+ Teachers Limited	**961**	961
Classic Education Limited	**1,187**	1,187
Others	**1,295**	1,295
	8,777	8,777

11 Intangible assets (continued)

Goodwill (continued)

In assessing the extent of any impairment to goodwill, value in use calculations are based on cash flow projections from formally approved budgets covering a one year period to September 2018 and estimates for subsequent years. The key assumptions in the value in use calculations are:

- Forecasts are based on pre tax cash flows derived from the approved budget to September 2018. These have been prepared based on management's past experience taking into account future expectations. Management believe that these forecasts are reasonably achievable;

- The revenue growth estimates for future years are extrapolated at 5% (2016: 5%) per annum for the first year and between 2% and 5% thereafter (2016: 2% to 5%). This is based on the Group's estimate of the long term growth rate of the recruitment sector based on management's experience of the sector;

- Gross margin percentage is assumed to remain generally constant; and

- The pre tax discount rate used is based on the estimated weighted average cost of capital of 10.5% (2016: 12.2%).

These assumptions have been revised in the year in light of the current economic environment which has resulted in more conservative estimates of the future. Growth in the recruitment industry is expected to be maintained at the same level as the increase in GDP and it is anticipated that sales volumes will show similar increases as the current year due to the opening of new offices.

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 further impairment.

12 Property, plant and equipment

	Leasehold improvements £'000	Motor vehicles £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost					
Balance at 1 October 2015	**220**	**13**	**351**	**1,218**	**1,802**
Additions	202	3	68	151	424
Acquired on acquisition	-	-	2	-	2
Balance at 1 October 2016	422	16	421	1,369	2,228
Additions	343	-	216	171	730
Eliminated on disposal	(222)	-	-	-	(222)
Balance at 30 September 2017	**543**	**16**	**637**	**1,540**	**2,736**
Accumulated depreciation					
Balance at 1 October 2015	**211**	**12**	**265**	**577**	**1,065**
Depreciation charge for the year	28	1	28	277	334
Balance at 1 October 2016	239	13	293	854	1,399
Depreciation charge for the year	68	2	57	279	406
Eliminated on disposal	(222)	-	-	-	(222)
Balance at 30 September 2017	**85**	**15**	**350**	**1,133**	**1,583**
Net book value					
At 30 September 2015	9	1	86	641	737
At 30 September 2016	183	3	128	515	829
At 30 September 2017	**458**	**1**	**287**	**407**	**1,153**

13 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
Servoca Secure Solutions Limited	England and Wales	100%	Security manned guarding
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

*Undertaking held indirectly by Parent Company.

The Registered Office of all the above subsidiaries is 4th Floor, Solar House, 1-9 Romford Road, London E15 4LJ.

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.

14 Trade and other receivables

	30 September 2017 £'000	30 September 2016 £'000
Due in less than one year:		
Trade receivables	**11,509**	10,242
Less: Provision for impairment of trade receivables	**(427)**	(315)
Trade receivables net	**11,082**	9,927
Other receivables	**140**	109
Prepayments and accrued income	**3,483**	2,806
	14,705	12,842

14 Trade and other receivables *(continued)*

	30 September 2017 £'000	30 September 2016 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**12,753**	11,407
Cash and cash equivalents	**579**	342
Total financial assets classified as loans and receivables	**13,332**	11,749

The fair values of financial assets classified as loan and receivables approximate to their carrying value. Trade receivables are non-interest bearing and are generally on 14-60 day terms. At 30 September 2017, trade receivables of £427,000 (30 September 2016: £315,000) were impaired and fully provided for.

At 30 September 2017 the analysis of trade receivables is:

	Total	**Neither past due nor impaired**	**Past due or impaired**			
			31-60 days	**60-90 days**	**90-120 days**	**120+ days**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade receivables	11,509	5,543	1,881	1,497	1,318	1,270
Provision	(427)	-	-	-	-	(427)
	11,082	5,543	1,881	1,497	1,318	843

At 30 September 2016 the analysis of trade receivables was:

	Total	Neither past due nor impaired	Past due or impaired			
			31-60 days	60-90 days	90-120 days	120+ days
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables	10,242	5,952	1,650	1,344	526	770
Provision	(315)	-	-	-	-	(315)
	9,927	5,952	1,650	1,344	526	455

14 Trade and other receivables *(continued)*

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

	30 September 2017 £'000	30 September 2016 £'000
At beginning of the year	**315**	315
Provided during the year	**112**	-
At end of the year	**427**	315

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

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

15 Trade and other payables

	30 September 2017 £'000	30 September 2016 £'000
Trade payables	**1,495**	1,116
Other taxation and social security	**1,551**	1,152
Contingent/deferred consideration	**577**	631
Other payables	**951**	733
Accruals and deferred income	**2,306**	2,175
	6,880	5,807

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 A+ Teachers Limited and Classic Education 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. The potential outstanding consideration still to be paid after the year end is £1.6m of which £0.6m has been accrued at the year end.

16 Other financial liabilities - current

	30 September 2017 £'000	30 September 2016 £'000
Invoice discounting facility	**2,915**	2,745

Invoice discounting facilities of £2,915,000 (2016: £2,745,000) are secured by a charge over the borrowing company's book debts. Interest during the year is payable on these facilities at commercial rates. There is a cross company guarantee in place in relation to the invoice discount facility for all the trading Servoca Plc subsidiary companies that use the facility.

17 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:

- 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 Company is listed on AIM and the Group's working capital is financed largely by invoice discounting facilities within each trading subsidiary.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers by reviewing their creditworthiness through use of a credit checking agency. Such credit ratings are taken into account when setting credit limits for new accounts.

17 Financial instruments *(continued)*

Credit risk *(continued)*

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 14.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The main interest rate risk affecting the Group relates to changes in the bank's base rate as the majority of borrowings are at floating rates. Quantitative disclosures of the sensitivity to changes in interest rates are shown below.

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

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

	Floating rate borrowings £'000
At 30 September 2017	
Invoice discounting facility	**2,915**
At 30 September 2016	
Invoice discounting facility	2,745

The floating rate borrowings bear interest at a commercial rate above the bank's base rate and all the Group's borrowings are in sterling.

At 30 September 2017, if interest rates on the above floating rate borrowings had been 2% (2016: 2%) higher or lower with all other variables held constant, profit after tax for the period would have been £139,000 (2016: £113,000) lower or higher. There would be the same effect on equity.

The directors consider that 2% (2016: 2%) is the maximum likely change to Sterling interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

17 Financial instruments ***(continued)***

Liquidity risk

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

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

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

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

A maturity analysis of the financial liabilities classified as financial liabilities measured at the sum of the undiscounted contractual cash flows is as follows:

	Due in less than 1 year £'000	**Total £'000**
Trade and other payables	**4,772**	**4,772**
Invoice discounting facilities	**2,915**	**2,915**
At 30 September 2017	**7,687**	**7,687**

	Due in less than 1 year £'000	Total £'000
Trade and other payables	4,033	4,033
Invoice discounting facilities	2,745	2,745
At 30 September 2016	6,778	6,778

17 Financial instruments *(continued)*

Undrawn facilities

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

	30 September 2017 £'000	30 September 2016 £'000
Expiring within one year	**3,590**	3,426

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.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital, the Group may issue new shares, consolidate shares, cancel shares or sell assets to reduce debt. The directors consider the management of debt to be an important element in controlling the capital structure of the Group.

Movements in capital during the year are disclosed in note 18 and the Consolidated Statement of Changes in Equity.

18 Called up share capital

	30 September 2017 Number '000	**30 September 2017 £'000**	30 September 2016 Number '000	30 September 2016 £'000
Allotted, issued and fully paid:				
New Ordinary shares of 1p each	**125,575**	**1,256**	-	-
Ordinary shares of 1p each	**-**	**-**	125,575	1,256
	125,575	**1,256**	125,575	1,256

Movements in issued share capital

	Ordinary shares of 1p each Number '000	**Ordinary shares of 1p each £'000**	**Consolidated ordinary shares of £20 each Number '000**	**Consolidated ordinary shares of £20 each £'000**	**New ordinary shares of 1p each Number '000**	**New ordinary Shares of 1p each £'000**
Issued:						
In issue at 1 October 2016	125,575	1,256	-	-	-	-
Consolidation (see below)	(125,575)	(1,256)	63	1,256	-	-
Subdivision (see below)	-	-	(63)	(1,256)	125,575	1,256
In issue at 30 September 2017	-	-	-	-	**125,575**	**1,256**

18 Called up share capital *(continued)*

During August 2017, the Company carried out a share reorganisation in order to reduce the number of small shareholders and offer those shareholders holding 2,000 or less shares in the Company an option to sell their holdings back to the Company.
On 15 August, all the 1 pence Existing Ordinary Shares of the Company were consolidated into one £20 Consolidated Ordinary Share on the basis of one Consolidated Ordinary Share for each 2,000 Existing Ordinary Shares. The Company offered to purchase any resulting fractional entitlements to the Consolidated Shares from the existing shareholders.
After completion of the sale and purchase of the fractional entitlements from the small shareholders, these Consolidated Shares of £20 each were subdivided into 2,000 New Ordinary Shares of 1 pence each. These New Ordinary Shares have the same rights and are subject to the same restrictions as the existing Ordinary 1 pence shares before the reorganisation.
As a result of this reorganisation, the Company purchased 154,656 shares for a total consideration of £36,727 which represented 1,047 small shareholders from the pre-reorganisation number of 1,203.

During the year the Company acquired 1,270,946 of its own shares for £312,311 (including the 154,656 mentioned above) (2016: acquired 1,149,038 for £276,376) and transferred none of its own shares at nominal value (2016: 250,000). These amounts have been deducted from retained earnings within shareholders' equity. The number of shares held as "treasury shares" at the year end was 2,630,084 which represented 2.09% of the called up share capital of the Company (2016: 1,359,138 representing 1.08%). The Company has the right to re-issue these shares at a later date. The maximum number of treasury shares held during the year was 2,630,084 (2016: 1,359,138).

Share options

At 30 September 2017 employee share options were outstanding as follows:

Number of employees	Exercise price	Date of issue	Date first exercisable	Date of expiry	Number of share options
7	40.0p	01/12/07	01/12/10	30/11/17	95,000
1	31.5p	31/03/08	31/03/11	30/03/18	50,000
1	10.0p	31/03/08	31/03/11	30/03/18	116,279
1	12.5p	07/07/09	31/03/11	20/07/19	116,279
3	5.0p	12/10/11	See below	12/10/21	490,000
1	2.38p	25/03/13	See below	25/03/23	1,260,500
1	8.00p	26/02/14	See below	25/02/24	250,000
					2,378,058

At 30 September 2016 employee share options were outstanding as follows:

Number of employees	Exercise price	Date of issue	Date first exercisable	Date of expiry	Number of share options
7	40.0p	01/12/07	01/12/10	30/11/17	100,000
1	31.5p	31/03/08	31/03/11	30/03/18	50,000
1	10.0p	31/03/08	31/03/11	30/03/18	116,279
1	12.5p	07/07/09	31/03/11	20/07/19	116,279
3	5.0p	12/10/11	See below	12/10/21	490,000
1	2.38p	25/03/13	See below	25/03/23	1,260,500
1	8.00p	26/02/14	See below	25/02/24	250,000
					2,383,058

18 Called up share capital *(continued)*

The options issued on 12 October 2011, 25 March 2013 and 26 February 2014 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:	**2017 Number**	2016 Number
Outstanding at beginning of year	**2,383,058**	2,383,058
Lapsed on leaving employment	**(5,000)**	-
Outstanding at end of year	**2,378,058**	2,383,058
Exercisable at end of year	**377,558**	382,558

The weighted average exercise price of the share options outstanding at the year end is 6.5p (2016: 6.6p) and the weighted average contractual life of the options outstanding at the end of the year is 4.7 years (2016: 5.7 years).

Details of parent company share option schemes.

The options fall into 5 groups for valuation with exercise prices varying between 2.38p and 40p each:

Group 1 – 1,200,000 options granted 1 December 2007
The fair value of the options was 17p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.66%, the average term of 5 years, share price at time of granting of 45p and volatility of 26.72%.

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

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

Group 4 – 348,837 options granted 7 July 2009
The fair value of the options was 4p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.09%, the average term of 5 years, share price at time of granting of 13p and volatility of 30.1%.

18 Called up share capital *(continued)*

Share options *(continued)*

Group 5 – 868,500 options granted 12 October 2011, 1,260,500 options granted 25 March 2013 and 250,000 options granted 26 February 2014.
The fair values of the options were between 2p and 8p per option at the date of grant. They can only be exercised on change in control of the Company but must be exercised no later than ten years after the date of the grant. The share price at the time of grant was 5p for those granted in October 2011, 2.38p for those granted in March 2013 and 8p for those granted in February 2014.

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

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

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 as follows:

	30 September 2017 £'000	30 September 2016 £'000
Expense arising from share based payment transactions:		
– share option schemes	**63**	63
Recognised through retained earnings	**63**	63

19 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.

20 Operating leases

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

The future minimum lease payments are due as follows:

	30 September 2017 Land and buildings £'000	**30 September 2017 Other £'000**	30 September 2016 Land and buildings £'000	30 September 2016 Other £'000
Not later than one year	**572**	**210**	371	93
Later than one year but not later than five years	**1,362**	**244**	685	71
More than 5 years	**771**	**3**	-	-
	2,705	**457**	1,056	164

21 Notes to the consolidated statement of cash flows

a) Cash and cash equivalents

	30 September 2017 £'000	30 September 2016 £'000
Cash available on demand	**579**	342
Invoice discounting facilities	**(2,915)**	(2,745)
	(2,336)	(2,403)
Cash and cash equivalents at beginning of year	**(2,403)**	(1,179)
Net increase/(decrease) in cash and cash equivalents	**67**	(1,224)

b) Analysis of net debt

2017	As at 1 October 2016 £'000	Cash flow £'000	Non cash movement £'000	**As at 30 September 2017 £'000**
Cash and cash equivalents	(2,403)	67	-	**(2,336)**

2016	As at 1 October 2015 £'000	Cash flow £'000	Non cash movement £'000	As at 30 September 2016 £'000
Cash and cash equivalents	(1,179)	(1,224)	-	(2,403)
Current deferred consideration	(805)	805	-	-
	(1,984)	(419)	-	(2,403)

22 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 year.

23 Related party transactions

Key management personnel are defined as being Directors of Servoca Plc. Information on their remuneration is set out in note 4. In addition to the remuneration disclosed in note 4, employer's National Insurance of £78,000 (2016: £72,000) was paid in relation to key management personnel.

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

SERVOCA Plc
Parent statement of financial position
At 30 September 2017 **Company registration number: 02641313**

	Note	30 September 2017 £'000	30 September 2016 £'000
Fixed assets			
Tangible assets	4	**705**	374
Investments	5	**9,807**	9,807
		10,512	10,181
Current assets			
Debtors - due after more than one year	6	**3,371**	2,937
- due in less than one year	6	**720**	706
Deferred tax asset		**-**	-
Cash at bank and in hand		**89**	47
		4,180	3,690
Creditors: amounts falling due within one year	7	**(1,073)**	(859)
Net current assets		**3,107**	2,831
Total assets less current liabilities		**13,619**	13,012
Creditors: amounts falling due after more than one year	8	**(5,527)**	(4,154)
Net assets		**8,092**	8,858
Capital and reserves			
Called up share capital	9	**1,256**	1,256
Share premium account		**203**	203
Profit and loss account		**6,633**	7,399
Total equity		**8,092**	8,858

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 loss for the year was £82,000 (2016: profit of £36,000).

The financial statements were approved by the Board and authorised for issue on 15 December 2017 and signed on its behalf by:

Andrew Church
Chief Executive Officer

Chris Hinton
Chief Financial Officer

The notes on pages 49 to 55 form part of these financial statements.

SERVOCA Plc
Parent statement of changes in equity
At 30 September 2017

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total £'000
Balance at 1 October 2015	**1,256**	**203**	**7,950**	**9,409**
Profit for the year being total comprehensive income for the year	-	-	36	36
Transactions with owners				
Share based payment expense	-	-	63	63
Dividend paid	-	-	(374)	(374)
Purchase of treasury shares	-	-	(276)	(276)
Balance at 30 September 2016	**1,256**	**203**	**7,399**	**8,858**
Loss for the year being total comprehensive income for the year	-	-	(82)	(82)
Transactions with owners				
Share based payment expense	-	-	63	63
Dividend paid	-	-	(435)	(435)
Purchase of treasury shares	-	-	(312)	(312)
At 30 September 2017	**1,256**	**203**	**6,633**	**8,092**

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 Solar House, 1-9 Romford Road, London E15 4LJ.

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).

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.

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	- either 25% on a reducing balance basis or 10%-25% on cost
Computer equipment	- 25%-33% on a straight line basis
Leasehold improvements	- over the remaining term of lease

2 Accounting policies *(continued)*

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.

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.

2 Accounting policies *(continued)*

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.

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

	2017	2016
	£'000	£'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**1,641**	1,461
Social security costs	**182**	159
Redundancy costs	**7**	-
Pension contributions	**75**	112
Share-based payments	**63**	63
	1,968	1,795

	2017	2016
	Number	Number
The average monthly number of employees, including directors, during the year was as follows:		
Operations	**3**	3
Financial and administration	**30**	31
	33	34

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

4 Tangible fixed assets

	Leasehold improvements £'000	**Fixtures, fittings and office equipment £'000**	**Computer equipment £'000**	**Total £'000**
Cost				
At 1 October 2016	422	121	974	1,517
Additions	335	101	56	492
Eliminated on disposal	(222)	-	-	(222)
At 30 September 2017	**535**	**222**	**1,030**	**1,787**
Depreciation				
At 1 October 2016	245	67	831	1,143
Charge for the year	64	19	78	161
Eliminated on disposal	(222)	-	-	(222)
At 30 September 2017	**87**	**86**	**909**	**1,082**
Net book value				
At 30 September 2017	**448**	**136**	**121**	**705**
At 30 September 2016	177	54	143	374

5 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2016 and 30 September 2017	**12,655**
Provisions	
At 1 October 2016 and 30 September 2017	**2,848**
Net book value	
At 30 September 2017 and 2016	**9,807**

A list of the main subsidiary companies is disclosed in note 13 to the group financial statements. Those subsidiaries listed in the note 13 and not above are either held indirectly or have no cost of investment.

6 Debtors

	30 September 2017 £'000	30 September 2016 £'000
Amounts due within one year:		
Other tax and social security	**390**	356
Other debtors	**30**	40
Prepayments and accrued income	**300**	310
	720	706
Amounts due in more than one year:		
Due from group companies (non interest bearing)	**3,371**	2,937
	4,091	3,643

The Company has an unrecognised deferred tax asset of £289,000 (2016: £289,000) 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

	30 September 2017 £'000	30 September 2016 £'000
Trade creditors	**480**	365
Corporation tax	**32**	51
Other taxation and social security	**56**	50
Other creditors	**11**	38
Accruals and deferred income	**494**	355
	1,073	859

The Company is part of a group VAT registration and the total group liability at 30 September 2017 was £617,000 (2017: £604,000).

8 Creditors: amounts falling due after more than one year

	30 September 2017 £'000	30 September 2016 £'000
Amounts due to group companies	**5,527**	4,154

9 Called up share capital

	30 September 2017 Number '000	**30 September 2017 £'000**	30 September 2016 Number '000	30 September 2016 £'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 18 to the group financial statements.

Share options
Details of the Company's share option schemes and long term incentive plans are provided in note 18 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 year is as follows:

	30 September 2017 £'000	30 September 2016 £'000
Expense arising from share based payment transactions		
– share option schemes	**63**	63
Recognised in retained earnings	**63**	63

10 Operating leases

The total future minimum lease payments are due as follows:

	30 September 2017 Land and buildings £'000	**30 September 2017 Other £'000**	30 September 2016 Land and buildings £'000	30 September 2016 Other £'000
Amounts due:				
Not later than one year	**399**	**30**	166	25
Later than one year but not later than five years	**1,067**	**14**	500	25
In more than 5 years	**771**	**-**	-	-
	2,237	**44**	666	50

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 £75,000 (2016: £73,000).

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.