SERVOCA Plc

Annual Report and Financial Statements

For the year ended 30 September 2010

Company Number: 2641313

SERVOCA Plc
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Corporate information

Directors

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

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

Registrars
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Company number
2641313

Country of Incorporation
United Kingdom

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

Legal form
Public limited company

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

Independent Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

SERVOCA Plc
Chairman/Chief Executive Officer Report
For the year ended 30 September 2010

Introduction
For the year ended 30 September 2010, we are pleased to report a level of profitability just below the year ended 30 September 2009, despite difficult trading conditions.

As cautioned in our Interim Statement for the six months ended 31 March 2010, the uncertainty and pressures regarding public sector spending have continued to impact on the business in the second half. At the half year we reported a reduction in revenue from our Education Recruitment activities and this has become a full year reduction of over £5m. The second half has also seen deterioration in trading conditions in our Healthcare Recruitment businesses though the impact has been felt more in some areas than others. On a like for like basis (excluding businesses closed during year ended 30 September 2009) our Healthcare revenues are marginally higher when compared to last year but this does not reflect the current run rates.

A brighter note has been struck in the corporate security company within our Security operations where we have seen an improved trading environment in a business largely focussed on the private sector. Action taken towards the end of last year ensured the security business entered the year positioned for improved profitability. We are pleased to report that this helped deliver a healthy increase in revenue, gross margin and net profit. We have also achieved growth in our Domiciliary Care business which bodes well for further development.

In light of the challenging trading conditions in our public sector recruitment activities we have continued to drive down the Group's overheads, which have reduced by £2.5m compared to the previous year.

Financial Review
For the year ended 30 September 2010, Group revenue was £50.2 million compared with £57.6 million (2009), a reduction of 12.8%. Gross profit for the year was £14.0 million against £16.8 million (2009), a reduction of 16.7%.

Operating profit for the year was £2.1 million (before share based payment and amortisation of intangibles of £0.6 million) compared with an operating profit in the prior year of £2.6 million (before share based payment charges and amortisation of intangibles of £0.3 million).

Profit before taxation (excluding share based payment charges) was £2.0 million compared to £2.2 million (2009).

The basic earnings per share for the year were 1.69p compared with 2.5p (2009).

Net debt reduced from £3.4 million at September 2009 to £3.0 million at September 2010.

Cash generated from operations in the year was £2.4 million (2009: £3.2 million).

Acquisition
On 14 August 2010 the Company acquired, as a going concern, the business, trade and assets of Phoenix Employment Services Limited ("Phoenix") from the administrators. The total consideration paid was £0.96m in cash of which £0.77m was for the net assets and £0.19m for goodwill.

Full details of this transaction are disclosed in note 24 to the financial statements.

Operational highlights

Strategy and delivery
The management team remains focussed on profit delivery within its existing operations. Mindful however of the challenging trading conditions in our public sector recruitment businesses, the Group is committed to the development of its outsourcing activities in the short to medium term.

Healthcare Recruitment

Our Healthcare Recruitment business operates through a number of discrete brands and supply is focused on doctors, nurses, care workers and allied health professionals.

The core of our Healthcare Recruitment revenue is concentrated in two discreet areas; Doctors and Nursing and Care workers. Both areas faced challenging trading conditions, notably in the second half, but with differing impacts on their results. In our Nursing and Care operations the momentum built in the first half helped overcome the reduced demand in the second half, although growth therefore became difficult towards the end of the year, revenue, gross margin and net contribution towards central costs were all up in the second half over the first half. These businesses enter financial year 2011 with an improved year on year run rate.

The amount of nursing hours we were able to provide was helped by our decision to position our supply entirely through the NHS supply framework, PASA, at the start of the year. This helped the business survive a period of reduced demand relative to previous years. Profitability and growth were aided by an increased level of supply into the private sector, where margin and demand were stronger than in the NHS. This supply was aided by our increased candidate flow as a consequence of our framework status.

In our doctors supply business the impact of the trading conditions on their second half results was more significant. Despite increasing annual revenue by £500k over the previous year and maintaining a similar level of profitability, the run rate was reduced substantially as we approached the year end. This was particularly so after the August period, which sees the NHS recruit its largest intake of newly qualified doctors on a permanent basis. This led to a 15% reduction in revenue in H2 compared to H1 and means that the doctors business enters financial year 2011 with a substantially reduced run rate.

Education Recruitment

Our Education Recruitment business operates through three brands, **Academics, Day to Day Teachers and Dream Education**.

Academics operate as an education recruitment and training provider which supplies education professionals on a contract or permanent basis to clients in London and the Home Counties. Academics were a major contributor to the Group's profitability during the financial year 2009 and were expected to deliver a similar level of contribution in the financial year 2010. However, as cautioned in our Interim Statement, trading conditions have continued to prove difficult and this has had the expected impact on the full year result. The second half saw both contract and permanent revenues fall well short of internal expectations and consequently the full year result was substantially lower than last year. Despite this fall from 2009, it is anticipated that there remains growth in this market in the short term.

Dream Education provides long-term teaching professionals to schools across the UK, mostly within secondary schools. The business entered the financial year under new management and with a mandate to develop a new operating model. The historic provision of exclusively overseas candidates was no longer viable as changes to work permit regulations and the increased availability of UK trained teaching professionals had severely affected both supply and demand for this type of resource. The business has made steady progress in becoming a quality supplier of UK trained teaching professionals but was also affected by the difficult trading climate. The result was that profitability was also substantially reduced.

Day to Day Teachers provides supply teachers and classroom assistants to cover short-term periods of absence within schools. This business proved more resilient over the period with net contribution fractionally up on the prior year. Improved operational management and action taken to close unprofitable branches in financial year 08/09 helped deliver this performance.

As we enter the new financial year we have consolidated the business of Dream Education and Day to Day Teachers to create a new brand, **Servoca Education Resourcing**, under the new management appointed earlier in the year ended 30 September 2010.

Secure Solutions

Our Security Division – **Secure Solutions** – incorporates two main business areas; corporate security services and criminal justice operations. Our corporate security offering comprises manned guarding, systems services and a corporate investigations unit that engages in a variety of sensitive and highly specialist activities. Our criminal justice operation provides resourcing and outsourcing services to a majority of police constabularies throughout the UK. This area also provides investigative skills and services to a range of local and central government authorities.

Secure Solutions (continued):

We are pleased to report that in our corporate security business, within our Security operations, the progress reported in our Interim statement continued into the second half of the year. This resulted in a substantial improvement in its financial performance for the full year with revenue, gross margin and net contribution all ahead of the prior year.

The Criminal Justice operation was exposed to more difficult trading conditions in the second half of the year and this curtailed internal growth expectations over that period. Again, as this area is under pressure from public sector finances, conditions were challenging.

Board changes

Miles Davis resigned as a Director with effect from 11 February 2010 and we thank him for his valuable contribution to the Group.

Summary and prospects

Outlook

Although all our public sector recruitment businesses are facing a challenging trading environment during 2011, we expect some areas to be impacted more than others. As a consequence we still expect improved profitability in some areas of supply to offset reduced levels of profitability in others.

Mindful of the current trading conditions in our public sector recruitment businesses, the Group is committed to the development of its outsourcing activities in the short-medium term. The Group believes that both its Security and Domiciliary Care businesses hold good growth potential and our recent acquisition of Phoenix in the latter area gives the Group a much enlarged presence in this market. We are pleased to report that this acquisition has bedded in very well and is trading ahead of expectations. New management has been appointed to take our Security business forward and the Group is committed to investment in this area for the year ahead to substantially improve our service offering in this market and grow our profitability.

Bob Morton
Chairman
26 January 2011

Andrew Church
Chief Executive Officer
26 January 2011

The directors present their report together with the audited financial statements for the year ended 30 September 2010.

Principal activities and trading review

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

The Group made one acquisition in the year being the purchase of a healthcare business. Further details are set out in note 24.

Group revenue for the year is £50.2 million (30 September 2009: £57.6 million) which produced a gross profit of £14.0 million (30 September 2009: £16.8 million). The profit before taxation for the year, after a share based payment expense of £0.5 million and amortisation of intangible assets of £0.1 million, was £2.0 million (30 September 2009 after a share based payment expense of £0.3 million: £2.0 million).

Key performance indicators

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

- Revenue reduction: 12.8% (2009: growth 37%)
- Gross margin percentage: 28.0% (2009: 29.2%)
- Profit after interest, before tax and share based payment expense: £2.0 million (2009: £2.2 million).

Results and dividends

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

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

Share capital

Full details of the changes in share capital during the year are set out and explained in note 22 to the financial statements.

Company number

The registered number of the Company is 2641313.

Principal risks and uncertainties
The principal risks arising from the Group's financial instruments and the policies in respect of them are set out in note 20 to the financial statements.
Servoca has also identified further, market-based risks and uncertainties to which the business is exposed. The most significant of these are set out below:

- Changes in government spending and policy
- Changes in regulation
- Uncertain economic climate
- Failure to continue to be registered for supply with PASA (Purchasing and Supply Agency), 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. There is no short term risk in this area.
- Failure to attract candidates of sufficient quality or sufficient numbers
- Loss of management or key sales staff
- Access to future funding

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

Director	Office held	Resigned
Bob Morton	Non-Executive Chairman	
Andrew Church	Chief Executive Officer	
Miles Davis	Executive	11/02/2010
John Foley	Non-Executive	
Emma Sugarman	Non-Executive	
Glenn Swaby	Chief Financial Officer	

Directors' remuneration

	2010			2009
Director	Emoluments, compensation and benefits £'000	Pension contributions £'000	Total £'000	Total £'000
Andrew Church	267	-	267	290
Glenn Swaby	141	9	150	160
Miles Davis	200	-	200	131
Emma Sugarman	95	-	95	130
Bob Morton	35	-	35	30
John Foley	25	-	25	20
Darren Browne	-	-	-	19
	763	9	772	780

Directors (continued)

Interests in shares

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

Director	30 September 2010 Ordinary shares of 1p each Number	30 September 2009 or date of appointment Ordinary shares of 1p each Number
Andrew Church	1,300,000	1,250,000
Bob Morton	11,000,000	11,000,000
Miles Davis	805,765*	805,765
John Foley	4,360,000	4,360,000
Glenn Swaby	83,333	83,333
Emma Sugarman	6,551,514	6,551,514

* at date of resignation

Interests in share options

At the balance sheet 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 2010	Potential gains on options at 30 September 2010 £'000
Glenn Swaby	25p	19/07/08	19/07/11	18/07/18	500,000	-

Andrew Church has a beneficial interest, subject to certain conditions, in 4.4 million Ordinary shares of 1p each through the Servoca Plc Employee Benefit Trust.

The mid-market price of the Company's shares on 30 September 2010 was 9.0 pence.

The lowest mid-market price during the period from 1 October 2009 to 30 September 2010 was 7.0 pence and the highest mid-market price during the year was 23.5 pence. The potential gains on share options have been calculated by reference to the market value of the shares under option at 30 September 2010 less the cost of purchasing those shares at the relevant exercise price.

Information on directors

Bob Morton, FCA – Non - Executive Chairman
Aged 68, Bob is a Chartered Accountant with substantial public company experience. He is currently Chairman of Armour Group Plc, Tenon Group Plc, St. Peter Port Capital Limited and WFCA Plc. In addition he holds directorships in several private companies.

Andrew Church – Chief Executive Officer
Aged 38, 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 profitable resourcing division.

John Foley, ACA, Barrister – Non - Executive Director
Aged 55, John is a Chartered Accountant and a Barrister. He is a successful public company director having served on many boards in senior roles. He served as CEO of Maclellan Group Plc from 1994 until its successful disposal to Interserve Plc for £120 million during 2006. He currently holds a number of directorships in a wide range of private companies.

Glenn Swaby, ACA –Chief Financial Officer
Aged 55, Glenn is a Chartered Accountant and has a wealth of experience within the security market and was until July 2007 the financial director of First Security Group Limited, where he played a key role in the development of the company. Glenn took over as Chief Financial Officer from 28 March 2008.

Emma Sugarman, Non – Executive Director
Emma Sugarman, 42, 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 21 January 2011 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
Southwind Limited	24,337,481	19.85
Seraffina Holdings Limited	15,120,929	12.33
Retro Grand Limited	12,000,000	9.79
Bob Morton	11,000,000	8.97
Emma Sugarman	6,551,514	5.34
Servoca Plc Employee Benefit Trust	4,400,000	3.59
John Foley	4,360,000	3.56

Payment to suppliers

The Group’s policy for all suppliers is to fix terms of payment when agreeing the terms of business transactions, to ensure the supplier is aware of those terms and to abide by the agreed terms of payment. The number of average days purchases of the Group and Company represented by trade creditors at 30 September 2010 respectively was 42 days and 54 days (30 September 2009: 42 days and 65 days respectively).

Donations
During the year the Group made no material charitable or political donations (30 September 2009: £nil).

Financial instruments
Details of Group and Company's use of financial instruments and their associated risks are given in note 20 to the financial statements.

Directors' responsibilities
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Report of the directors which complies with the requirements of the Companies Act 2006.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 2006. The directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the parent company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements
International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the Group has complied with IFRS's, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

Directors' responsibilities (continued)

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer report on pages 2 to 5. In addition note 20 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. Due to the reliance on invoice discounting facilities, the Group is in a net current liabilities position. A combination of improved working capital management and continued profitability has resulted in significantly improved generation of cash during the year allowing the acquisition during the year to be financed internally.

The directors have prepared trading and cash flow forecasts for the period to 31 March 2012 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Subsequent events

Details of subsequent events are set out in note 29.

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

A resolution to re-appoint Ernst & Young LLP as auditors will be proposed at the next annual general meeting of the Company.

This report was approved by the Board of Directors on 26 January 2011 and signed by order of the Board by

Stephen Shipley
Company Secretary
26 January 2011

SERVOCA Plc
Independent auditors’ report
To the members of Servoca Plc

We have audited the group financial statements of Servoca Plc for the year ended 30 September 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors’ Responsibilities Statement set out on pages 10 and 11, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s (APB’s) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group’s affairs as at 30 September 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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.

Other matter
We have reported separately on the parent company financial statements of Servoca Plc for the year ended 30 September 2010.

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 January 2011

SERVOCA Plc
Consolidated statement of comprehensive income
For the year ended 30 September 2010

	Note	2010 Before amortisation, share based payments and exceptional items £'000	2010 Amortisation, share based payments and exceptional items (note 7) £'000	2010 Total £'000	2009 Before amortisation, share based payments and exceptional items £'000	2009 Amortisation, share based payments and exceptional items (note 7) £'000	2009 Total £'000
Continuing operations							
Revenue		**50,154**	**-**	**50,154**	57,645	-	57,645
Cost of sales		**(36,114)**	**-**	**(36,114)**	(40,823)	-	(40,823)
Gross profit		**14,040**	**-**	**14,040**	16,822	-	16,822
Administrative expenses		**(11,929)**	**(550)**	**(12,479)**	(14,420)	(322)	(14,742)
Other operating income	6	**-**	**-**	**-**	174	-	174
Operating profit	6	**2,111**	**(550)**	**1,561**	2,576	(322)	2,254
Finance income	8	**-**	**-**	**-**	6	-	6
Finance costs	9	**(104)**	**-**	**(104)**	(373)	-	(373)
Profit before taxation		**2,007**	**(550)**	**1,457**	2,209	(322)	1,887
Tax credit	10	**537**	**-**	**537**	142	-	142
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		**2,544**	**(550)**	**1,994**	2,351	(322)	2,029
Earnings per share:		**Pence**	**Pence**	**Pence**	Pence	Pence	Pence
- Basic	5	**2.15**	**(0.46)**	**1.69**	2.89	(0.39)	2.50
- Diluted	5	**2.10**	**(0.46)**	**1.64**	2.78	(0.38)	2.40

The notes on pages 20 to 63 form part of these financial statements.

SERVOCA Plc
Consolidated statement of financial position
At 30 September 2010

	Note	**30 September 2010 £'000**	30 September 2009 £'000
Assets			
Non-current assets			
Intangible assets	11	**6,830**	6,613
Property, plant and equipment	12	**460**	618
Total non-current assets		**7,290**	7,231
Current assets			
Trade and other receivables	14	**7,604**	8,654
Deferred tax asset	10	**537**	-
Cash and cash equivalents	14	**310**	278
Total current assets		**8,451**	8,932
Total assets		**15,741**	16,163
Liabilities			
Current liabilities			
Trade and other payables	15	**(5,034)**	(6,959)
Other financial liabilities	16	**(3,269)**	(3,173)
Contingent consideration	17	**-**	(460)
Corporation tax liability		**-**	(225)
Provisions	21	**(941)**	(773)
Total current liabilities		**(9,244)**	(11,590)
Non-current liabilities			
Other financial liabilities	18	**(1)**	(514)
Provisions	21	**(113)**	(131)
Total non-current liabilities		**(114)**	(645)
Total liabilities		**(9,358)**	(12,235)
Total net assets		**6,383**	3,928

SERVOCA Plc
Consolidated statement of financial position *(continued)*
At 30 September 2010

	Note	**30 September 2010 £'000**	30 September 2009 £'000
Capital and reserves attributable to equity holders of the company			
Called up share capital	22	**5,557**	5,513
Share premium account	23	**7,799**	7,078
Merger reserve	23	**2,772**	2,772
Reverse acquisition reserve	23	**(12,268)**	(12,268)
Own shares	23	**(790)**	-
Retained earnings		**3,313**	833
Total Equity		**6,383**	3,928

The financial statements were approved by the Board and authorised for issue on 26 January 2011.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 20 to 63 form part of these financial statements.

SERVOCA Plc
Consolidated statement of changes in equity
For the year ended 30 September 2010

	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Own shares £'000	Retained earnings £'000	Total equity £'000
Balance as at 30 September 2008	4,812	2,054	2,772	(12,268)	-	(1,518)	**(4,148)**
Changes in equity for the year ended 30 September 2009							
Profit for the year	-	-	-	-	-	2,029	**2,029**
Total comprehensive income for the year	-	-	-	-	-	2,029	**2,029**
Share based payment transactions (note 22)	-	-	-	-	-	322	**322**
Issue of share capital	701	5,208	-	-	-	-	**5,909**
Share issue costs	-	(184)	-	-	-	-	**(184)**
	701	5,024	-	-	-	322	**6,047**
Balance as at 30 September 2009	**5,513**	**7,078**	**2,772**	**(12,268)**	**-**	**833**	**3,928**
Changes in equity for the year ended 30 September 2010							
Profit for the year	-	-	-	-	-	1,994	**1,994**
Total comprehensive income for the year	-	-	-	-	-	1,994	**1,994**
Share based payment transactions (note 22)	-	-	-	-	-	486	**486**
Issue of share capital	44	746	-	-	(790)	-	**-**
Share issue costs	-	(25)	-	-	-	-	**(25)**
	44	**721**	**-**	**-**	**(790)**	**486**	**461**
Balance as at 30 September 2010	**5,557**	**7,799**	**2,772**	**(12,268)**	**(790)**	**3,313**	**6,383**

SERVOCA Plc
Consolidated statement of cash flows
For the year ended 30 September 2010

	Note	**30 September 2010 £'000**	**30 September 2010 £'000**	30 September 2009 £'000	30 September 2009 £'000
Operating activities					
Profit before tax			**1,457**		1,887
Non cash adjustments to reconcile profit before tax to net cash flows:					
Depreciation and amortisation			**321**		250
Share based payments			**486**		322
Finance costs			**104**		373
Finance income			**-**		(6)
Gain on sale of property, plant and equipment			**(11)**		(4)
Movement in provisions			**(200)**		(488)
Working capital adjustments:					
Decrease/(increase) in trade and other receivables			**1,807**		(419)
(Decrease)/increase in trade and other payables			**(1,562)**		1,319
Cash generated from operations			**2,402**		3,234
Corporation tax paid			**(225)**		-
Cash flows from operating activities			**2,177**		3,234
Investing activities					
Acquisitions, net of cash acquired	24	**(1,513)**		(3,404)	
Purchase of property, plant and equipment		**(100)**		(215)	
Proceeds of sale of property, plant and equipment		**14**		28	
Interest received		**-**		6	
Net cash flows used in investing activities			**(1,599)**		(3,585)
Cash flows from financing activities					
Issue of ordinary shares		**-**		5,000	
Share issue costs		**(25)**		(184)	
Repayment of loan		**(667)**		(666)	
Interest paid		**(104)**		(373)	
Repayment of finance lease creditor		**(36)**		(53)	
Net cash flows from financing activities			**(832)**		3,724
(Decrease)/increase in cash and cash equivalents	26		**(254)**		3,373
Cash and cash equivalents at beginning of the year	26		**(2,192)**		(5,565)
Cash and cash equivalents at end of the year	26		**(2,446)**		(2,192)

The notes on pages 20 to 63 form part of these financial statements.

1 Accounting policies

Basis of preparation

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 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 2010 and the comparative figures represent a twelve month period to 30 September 2009.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Chairman/Chief Executive Officer report on pages 2 to 5. In addition note 20 describes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group's principal sources of financing are equity and invoice discounting facilities secured on book debts. Due to the reliance on invoice discounting facilities, the Group is in a net current liabilities position. A combination of improved working capital management and continued profitability has resulted in significantly improved generation of cash during the year allowing the acquisition during the year to be financed internally.

The directors have prepared trading and cash flow forecasts for the period to 31 March 2012 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1 Accounting policies (continued)

Significant judgments and estimates

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

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

- Intangible assets and property, plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes in estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods. More details of carrying values are shown in notes 11 and 12.
- 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.
- 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 customer, market conditions and previous experience.
- Share based payments. The charges in relation to these are calculated at the end of the financial year of the grant and on conditions existing at that time. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments. The assumptions and models used are disclosed in note 22.
- Provision for claims and restructuring. Where the Group has a present or potential obligation as a result of a past event, provision is made for the best estimate of the expected obligations.
- Business combinations. Judgement is required on acquisitions in ascertaining the fair values of the assets and liabilities acquired and attributing values to any identifiable intangible assets. Details of the acquisitions are disclosed in note 24.
- Deferred tax asset. The recognition of a deferred tax asset is made on the basis that the recoverability of this asset is supported by assumptions on future profitability of the Group.

Adoption of new and amended IFRS and IFRIC interpretations

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

Amended IAS 1 'Presentation of Financial Statements' (effective 1 January 2009) affects the presentation of other changes in equity and introduces a statement of comprehensive income. The Group has the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). The Group has decided to take the first option to present a single statement of comprehensive income.

1 Accounting policies (continued)
Adoption of new and amended IFRS and IFRIC interpretations (continued)
Amendment to IFRS 2 Share-based payments (effective for period commencing 1 January 2009). This clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The amendment has had no impact on the Group.

IFRS 8 ‘Operating segments’. This standard replaces IAS 14 Segmental Reporting for accounting periods commencing after 1 January 2009. IFRS 8 clarifies that segmental disclosures should be made in accordance with operating segments used within the internal reporting structure as reviewed by the chief operating decision maker. The Group concludes that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

The revised and amended Standards, IAS 27 ‘Consolidated and Separate Financial Statements’ and IFRS 3 ‘Business Combinations’ are effective from 1 July 2009. The amendments relate primarily to accounting for non-controlling interests and the losses of control of a subsidiary. It also addresses the guidance for applying the acquisition method of accounting, expensing acquisition fees and remeasuring contingent consideration through the income statement. The requirements of IFRS 3R have been applied to the acquisition of Phoenix ES Limited (see note 24) and the revised statement will have an impact on the Group for future business combinations.

Amendment to IFRIC 9 and IAS 39 ‘Financial Instruments: Recognition and Measurement’ in respect to eligible hedged items. Effective from 1 July 2009, it provides clarification on identifying inflation as a hedged risk or portion and hedging with options. The amendment has had no impact on the Group.

IFRIC 17 ‘Distributions of Non-Cash Assets to Owners’ (effective 1 July 2009) addresses how an entity should measure distributions of assets other than cash when it pays dividends to its owners. The Group does not distribute non-cash dividends to its owners and so the interpretation has no impact on the Group.

IFRIC 18 ‘Transfers of Assets from Customers’ (effective 1 July 2009) applies to entities who participate in the transfer of assets from customers and applies to the utility sector in particular. No member of the Group operates in the utility sector or transfers assets from customers and, therefore, this interpretation has no impact on the Group.

Improvements to IFRSs
In May 2010 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. These revisions have been adopted in these financial statements but have had no financial impact:
IFRS 1 First Time Adoption of IFRS. This has no effect on the Group.
IFRS 3 Business Combinations. Measurement on non-controlling interests and voluntarily replaced share based payment awards. This will have an impact on the Group for future business combinations.
IFRS 7 Financial Instruments: Disclosures. As explained and stated below, this is not expected to have an impact on the Group.

1 Accounting policies (continued)
Adoption of new and amended IFRS and IFRIC interpretations (continued)
Improvements to IFRSs (continued)
IAS 1 Presentation of Financial Statements. This clarifies the disclosures required in the statement of changes in equity and has been adopted by the Group in these financial statements.
IAS 7 Consolidated and Separate Financial Statements. This clarifies the definition of a subsidiary and the requirements for consolidation. This will have an effect on future disclosures on acquisitions the Group may make.
IAS 34 Interim Financial Reporting. This sets out the minimum content of an interim financial report and affected the Group's interim report.
IFRIC 13 Customer Loyalty Programmes. This has no effect on the Group.

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

- Amendment to IFRS 2 Share-based payments (effective for period commencing 1 January 2010).
- Amendment to IAS 24 Related Party Disclosures (effective for periods commencing 1 January 2011).
- Amendment to IFRS 7 Financial Instruments: Disclosures (effective for periods commencing 1 July 2011).
- IFRS 9 Financial Instruments: Classification and Measurement (effective for periods commencing 1 January 2013).
- IFRIC19 Extinguishing Financial Liabilities with Equity Instruments (effective for periods commencing 1 July 2010).
- Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective for periods commencing 1 January 2011).
- Amendment to IAS 12 Recovery of Underlying Assets (effective for periods commencing 1 January 2012).

The impact on the Group's financial statements of the future adoption of the Standards and Interpretations is still under review.

1 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the results of Servoca Plc and all of its subsidiary undertakings, made up to 30 September 2010, using the acquisition method of accounting. Under this method, the results of subsidiary undertakings are included from the date of the acquisition.

Revenue

Revenue represents proceeds from services performed, 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, for contingent assignments this will either be the date on which the applicant accepts an offer in writing or when they commence the employment;
- In line with completion of specific milestones, for retained assignments; or
- In line with performance, for revenue arising from the provision of other services.

Business combinations

The consolidated financial statements incorporate the results of business combinations using the acquisition method. 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 the statement of comprehensive income.
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 the statement of comprehensive income.

1 Accounting policies (continued)

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets are undertaken annually. 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.

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 in 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.

Licences

Licences are capitalised as intangible assets and amortised over the five year period that revenues can be generated from such licences.

Externally acquired intangible assets

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

Intangible assets are recognised on business combinations if they are separable from the acquired entity to 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 trademarks and customer relationships and they are valued at historical cost and amortised over their estimated useful economic life of up to ten years.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Depreciation has been calculated at the following rates:

Fixtures and fittings	- either 25% on a reducing balance basis or 10%-25% on cost
Office equipment	- 25% on a reducing balance basis
Motor vehicles	- 25%-33% on a reducing balance basis
Computer equipment	- 25%-33% years on a straight line basis
Leasehold improvements	- over the remaining term of lease

1 Accounting policies (continued)

Deferred taxation

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

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the deferred tax assets or liabilities are recovered or settled. Deferred tax balances are not discounted.

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

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

Financial instruments

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

Financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, bank overdrafts and invoice discounting facilities. Bank overdrafts and invoice discounting facilities are shown within current liabilities in the statement of financial position.

1 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities

Bank and other borrowings and 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 over the period to repayments 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 varying commercial rates on balances drawn.

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

Contingent consideration

Contingent consideration due in respect of acquisitions is initially recorded at expected cost and discounted back to the statement of financial position date using an appropriate discount rate. The finance cost is charged to the statement of comprehensive income over the period of the deferment. Where contingent consideration is a remeasured at a reportable date a charge or credit is recorded in the income statement.

Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares are classed as equity instruments.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an "operating lease"), the total rentals payable under the lease are charged to the statement of comprehensive income on a straight-line basis over the lease term.

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

1 Accounting policies (continued)

Pension costs

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

Exceptional items

The Group identifies exceptional items as those that, in the opinion of the directors, are significant in size and are of a non recurring nature that have a material affect on the results of the Group.

Provisions

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

Share-based payments

Where the Group has awarded equity settled share options to employees, the fair value of the options at the date of the grant is charged to the statement of comprehensive income over the vesting period. Non-market conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position 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 statement of comprehensive income over the remaining vesting period.

Where an equity instrument is granted to a person other than an employee, the statement of comprehensive income is charged with the fair value of goods and services received.

National Insurance is payable on gains made by employees on exercise of certain share options granted to them. The eventual liability to National Insurance is dependent on the market price of the shares at the date of exercise, the number of options to be exercised and the prevailing rate of National Insurance at the date of exercise. The Group provides for potential National Insurance dependent upon the current market value of the shares.

The Group has no cash settled share-based payment awards.

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 entity where necessary.

The Group provides recruitment services to the healthcare and education sectors and the Secure Solutions segment provides outsourced services to the Security sector.

	Healthcare Recruitment £'000	Education Recruitment £'000	Secure Solutions £'000	Central £'000	Total £'000
For the year ended 30 September 2010:					
Revenue	25,886	15,450	8,818	-	**50,154**
Segment expense	(24,723)	(13,902)	(8,669)	(749)	**(48,043)**
Amortisation and share based payment expense	(286)	-	-	(264)	**(550)**
Operating profit/(loss)	877	1,548	149	(1,013)	**1,561**
Finance costs	(31)	(11)	(17)	(45)	**(104)**
Profit/(loss) before tax	846	1,537	132	(1,058)[1]	**1,457**
Statement of financial position					
Assets	5,316	7,321	2,289	815	**15,741**
Liabilities	(4,757)	(2,176)	(1,859)	(566)	**(9,358)**
Net assets	559	5,145	430	249	**6,383**
Other					
Capital expenditure	198	5	12	76	**291**
Depreciation	30	46	68	113	**257**
Amortisation	64	-	-	-	**64**

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

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

2 Segmental analysis (continued)

	Healthcare Recruitment £'000	Education Recruitment £'000	Secure Solutions £'000	Central £'000	Total £'000
For the year ended 30 September 2009:					
Revenue	27,094	20,754	9,797	-	57,645
Segment expense	(25,814)	(17,925)	(9,477)	(2,027)	(55,243)
Share based payment expense	(222)	-	-	(100)	(322)
Other operating income	174	-	-	-	174
Operating profit/(loss)	1,232	2,829	320	(2,127)	2,254
Finance costs	(98)	(92)	(72)	(111)	(373)
Finance income	-	-	-	6	6
Profit/(loss) before tax	1,134	2,737	248	(2,232)[1]	1,887
Statement of financial position					
Assets	4,412	8,683	2,148	920	16,163
Liabilities	(4,357)	(3,925)	(2,146)	(1,807)	(12,235)
Net assets/(liabilities)	55	4,758	2	(887)	3,928
Other					
Capital expenditure	469	44	56	44	613
Depreciation	99	59	67	25	250
Amortisation	-	-	-	-	-

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

3 Employees

	30 September 2010 £'000	30 September 2009 £'000
Staff costs, including executive directors, consist of:		
Wages and salaries	**7,119**	9,257
Social security costs	**824**	941
Redundancy costs	**243**	153
Pension contributions	**28**	39
Share-based payments	**486**	322
	8,700	10,712
The average monthly number of employees, including directors, during the year was as follows:		
	Number	Number
Operations	**42**	43
Sales	**130**	132
Financial and administration	**37**	41
	209	216

4 Directors' remuneration

Total remuneration was as follows:

	30 September 2010 £'000	30 September 2009 £'000
Salaries and benefits	**606**	764
Termination payments	**157**	-
Pension contributions	**9**	16
	772	780
Remuneration of the highest paid director:		
Emoluments	**267**	290
Pension contributions	**-**	-
	267	290

The Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £35,000 (2009: £30,000) were made to Hawk Consulting Limited in the year for services rendered and are included in salaries and benefits in the above table.

During the year, one director had benefits accruing under defined contribution pension schemes (year ended 30 September 2009: two).

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

4 Directors' remuneration (continued)

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

	30 September 2010 Number '000	30 September 2009 Number '000
At the beginning of the year	**900**	1,700
Lapsed on resignation	**(400)**	(800)
At the end of the year	**500**	900

Andy Church has a beneficial interest, subject to certain conditions, in 4.4 million ordinary shares through the Servoca Plc Employee Benefit Trust.

5 Earnings per share

The calculation of earnings per share for the year ended 30 September 2010 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 2010	**118,191,760**	**3,120,367**	**121,312,127**
30 September 2009	81,328,160	3,286,448	84,614,608

The above number of shares excludes own shares held in the Servoca Plc Employee Benefit Trust and are used in all of the earnings per share calculations below.

5 Earnings per share (continued)

Additional disclosure is also given in respect of earnings per share before amortisation of intangible assets and exceptional costs as the directors believe this gives a more accurate presentation of maintainable earnings.

Year ended 30 September 2010	**Basic £'000**	**Diluted £'000**
Profit used for calculation	**1,994**	**1,994**
Amortisation and share based payment expense:		
Amortisation of intangible assets	**64**	**64**
Share based payment expense	**486**	**486**
Profit before amortisation and share based payment expense	**2,544**	**2,544**
	Pence	**Pence**
Earnings per share	**1.69**	**1.64**
Amortisation and share based payment expense:		
Amortisation of intangible assets	**0.05**	**0.05**
Share based payment expense	**0.42**	**0.41**
Adjusted earnings per share before amortisation and share based payment expense	**2.15**	**2.10**

Year ended 30 September 2009	Basic £'000	Diluted £'000
Profit used for calculation	2,029	2,029
Share based payment expense	322	322
Profit before share based payment expense	2,351	2,351
	Pence	Pence
Earnings per share	2.50	2.40
Share based payment expense	0.39	0.38
Adjusted earnings per share before share based payment expense	2.89	2.78

6 Operating profit

	30 September 2010 £'000	30 September 2009 £'000
Operating profit is stated after charging or (crediting):		
Depreciation of property, plant and equipment	**257**	250
Amortisation of intangible assets	**64**	-
Share based payment expense	**486**	322
Profit on disposal of property, plant and equipment	**(11)**	(4)
Operating lease rentals:		
- land and buildings	**368**	430
- other	**69**	74
Other operating income: gain on administration of Windsor Recruitment & Training Limited	**-**	(174)
Remuneration to auditors:		
- Audit of the Company's financial statements pursuant to legislation	**35**	40
- Audit of the subsidiaries financial statements pursuant to legislation	**43**	55
- Other taxation services	**18**	14

7 Exceptional items

The exceptional items can be summarised as follows:

	30 September 2010 £'000	30 September 2009 £'000
Restructuring costs and claims	**-**	542
Legal costs	**-**	(542)
	-	-

Amortisation and share based payments	**30 September 2010 £'000**	30 September 2009 £'000
Amortisation of intangible assets	**64**	-
Share based payments	**486**	322
	550	322

7 Exceptional items (continued)

Restructuring costs and claims:
In 2009, exceptional items relate to a claim in relation to specific employment legislation which the Group is liable to settle, based on legal advice.

Legal costs:
The Group was involved in two legal cases during the prior year. Favourable outcomes in both cases resulted in reduced outflows compared to original expectations and these were adjusted for in the prior year accordingly.

8 Finance income

	30 September 2010 £'000	30 September 2009 £'000
Bank interest received	**-**	6

9 Finance costs

	30 September 2010 £'000	30 September 2009 £'000
Bank borrowings	**31**	90
Interest on invoice discounting	**70**	175
Other borrowings	**3**	108
	104	373

10 Taxation

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

	30 September 2010 £'000	30 September 2009 £'000
Current income tax		
Adjustments in respect of prior periods	**-**	(142)
	-	(142)
Deferred tax		
Deferred income tax credit	**(537)**	-
Income tax credit	**(537)**	(142)

b) Reconciliation of the total tax credit

A reconciliation between the tax credit and the product of the accounting profit multiplied by the tax rate for the years ended 30 September 2010 and 2009 is as follows:

	30 September 2010 £'000	30 September 2009 £'000
Profit before taxation	**1,457**	1,887
Profit before taxation multiplied by the average rate of corporation tax in the UK of 28% (2009: 28%)	**408**	528
Expenses not deductible for tax purposes	**239**	15
Utilisation of tax losses brought forward	**(685)**	(562)
Other temporary differences on which deferred tax not recognised	**38**	19
Recognition of deferred tax on historical tax losses	**(537)**	-
Adjustments in respect of prior periods	**-**	(142)
Total tax credit reported in the consolidated statement of comprehensive income	**(537)**	(142)

The Group has approximately £3,166,000 (30 September 2009: £5,453,000) of unrelieved trading losses available for offset against future taxable profits of certain Group companies. The directors believe that the forecasts of future taxable profits are reasonable and attainable and it is therefore appropriate to provide for the deferred tax asset. No deferred tax asset has been recognised on £1,176,000 (30 September 2009: £5,453,000) of the unrelieved trading losses on the basis that IAS 12 recognition criteria has not been met.

10 Taxation (continued)

c) Deferred tax

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

	30 September 2010 £'000	30 September 2009 £'000
Tax losses	**537**	-

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

d) Unrecognised deferred tax

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

	30 September 2010 £'000	30 September 2009 £'000
Deductible temporary differences – tax depreciation	**600**	636
Capital losses for offset against future capital gains	**1,448**	1,448
Tax trading losses	**1,176**	5,453
	3,224	7,537

e) Factors affecting future tax charges

In the emergency budget of June 2010, the Chancellor set out his long term plan for corporation tax rates. Over a period of time the main rate will be reduced to 24%.
The main rate of corporation tax for the 2011 financial year will be reduced to 27%. As this rate was substantively enacted at the statement of financial position date, the deferred tax asset recognised in respect of tax losses have been measured at the reduced rate.
The planned reduction to 24% in future years will reduce the potential future value of the deferred tax asset not recognised for the items set out above in parts b) and c) of this note. For each % enacted, the deferred unrecognised tax asset would be reduced by approximately £32,000.

11 Intangible assets

	Goodwill £'000	Licence £'000	Customer relationships £'000	Trademarks £'000	Total £'000
Cost					
Balance at 1 October 2008	15,515	-	123	7	15,645
Acquired through business combinations	150	77	171	-	398
Fair value adjustment for contingent share consideration	(1,022)	-	-	-	(1,022)
Balance at 30 September 2009	**14,643**	**77**	**294**	**7**	**15,021**
Balance at 1 October 2009	14,643	77	294	7	15,021
Acquired through business combinations (note 24)	189	-	-	-	189
Adjustment for contingent consideration	92	-	-	-	92
Balance at 30 September 2010	**14,924**	**77**	**294**	**7**	**15,302**
Accumulated amortisation and impairment					
Balance at 1 October 2008 and 30 September 2009	**8,279**	**-**	**123**	**6**	**8,408**
Balance at 1 October 2009	8,279	-	123	6	8,408
Amortisation for the year	-	15	49	-	64
Impairment charge	-	-	-	-	-
Balance at 30 September 2010	**8,279**	**15**	**172**	**6**	**8,472**
Net book value					
At 1 October 2008	7,236	-	-	1	7,237
At 30 September 2009	**6,364**	**77**	**171**	**1**	**6,613**
At 30 September 2010	**6,645**	**62**	**122**	**1**	**6,830**

11 Intangible assets (continued)

Additions to goodwill and intangibles in the year are analysed further as follows:

	2010 £'000	2009 £'000
Further costs of acquisition of Servoca Academics Limited arising from settlement of contingent consideration	**92**	42
Phoenix ES Limited	**189**	-
Servoca Nursing & Care Limited	**-**	279
Pure Medical Healthcare Solutions Limited	**-**	77
Total	**281**	398

The adjustment for Servoca Academics Limited arises from the final element of contingent consideration settled in cash during the year.

Goodwill

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

	30 September 2009 £'000	Acquired £'000	Impaired £'000	Adjustment £'000	**30 September 2010 £'000**
Manorbase Limited t/a Firstpoint Healthcare	324	-	-	-	**324**
Servoca Resourcing Solutions Limited	690	-	-	-	**690**
Servoca Academics Limited	5,242	-	-	92	**5,334**
Servoca Nursing & Care Limited	108	-	-	-	**108**
Phoenix ES Limited	-	189	-	-	**189**
	6,364	189	-	92	**6,645**

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 2011 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 2011. These have been prepared 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% (2009: 5%) per annum for the first four years and 2% thereafter (2009: 2%). This is based on the Group's estimate of the long term growth rate of the recruitment sector based on management's experience of the sector. Gross margin percentage is assumed to remain constant; and

- The pre tax discount rate used is based on the estimated weighted average cost of capital of 14.3% (2009: 16.1%).

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

Sensitivity to changes in assumptions

The value in use of the Servoca Academics Limited CGU exceeds its carrying amount by £6.5 million (2009: £13 million). Sensitivity analysis has been completed on each key assumption in isolation, and this indicates that the value in use of the division will be equal to its carrying amount following a reduction in gross margin of 11percentage points (2009: 12 percentage points), an increase in the discount rate of 20 percentage points (2009: 61 percentage points) or a reduction in revenue growth rates of 28 percentage points (2009: 46 percentage points). These sensitivities equate to a reduction in gross margin of £9 million and revenues of £22 million.

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

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 2008	217	77	210	1,015	1,519
Additions	46	11	20	118	195
Acquired through business combinations	-	-	-	20	20
Disposals	(57)	(41)	(27)	(126)	(251)
Balance at 30 September 2009	206	47	203	1,027	1,483
Balance at 1 October 2009	206	47	203	1,027	1,483
Additions	50	-	25	25	100
Acquired through business combinations	-	-	-	2	2
Disposals	-	(31)	-	(1)	(32)
Balance at 30 September 2010	**256**	**16**	**228**	**1,053**	**1,553**
Accumulated depreciation					
Balance at 1 October 2008	105	29	115	573	822
Depreciation charge for the year	32	20	24	174	250
Disposals	(57)	(17)	(26)	(107)	(207)
Balance at 30 September 2009	80	32	113	640	865
Balance at 1 October 2009	80	32	113	640	865
Depreciation charge for the year	51	11	15	180	257
Disposals	-	(28)	-	(1)	(29)
Balance at 30 September 2010	**131**	**15**	**128**	**819**	**1,093**
Net book value					
At 1 October 2008	112	48	95	442	697
At 30 September 2009	126	15	90	387	618
At 30 September 2010	**125**	**1**	**100**	**234**	**460**

The net book value of computer equipment for the Group includes an amount of £25,000 (30 September 2009: £35,000) and motor vehicles of £nil (2009: £5,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £10,000 (30 September 2009: £18,000).

13 Details of subsidiary undertakings

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

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

*Undertaking held indirectly by Company.

14 Trade and other receivables

	30 September 2010 £'000	30 September 2009 £'000
Due in less than one year:		
Trade receivables	**6,691**	7,944
Less: Provision for impairment of trade receivables	**(937)**	(794)
Trade receivables net	**5,754**	7,150
Other receivables	**205**	335
Prepayments and accrued income	**1,645**	1,169
	7,604	8,654

14 Trade and other receivables (continued)

	30 September 2010 £'000	30 September 2009 £'000
Total financial assets other than cash and cash equivalents classified as loans and receivables	**5,959**	7,485
Cash and cash equivalents	**310**	278
Total financial assets classified as loans and receivables	**6,269**	7,763

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 2010, trade receivables of £937,000 (30 September 2009: £794,000) were impaired and fully provided for.

At 30 September 2010 the analysis of trade receivables is:

	Total £'000	**Neither past due nor impaired £'000**	**Past due or impaired 31-60 £'000**	**60-90 £'000**	**90-120 £'000**	**120+ £'000**
Trade receivables	6,691	4,492	1,245	519	251	184
Provision	(937)	-	-	(502)	(251)	(184)
	5,754	4,492	1,245	17	-	-

At 30 September 2009 the analysis of trade receivables was:

	Total £'000	Neither past due nor impaired £'000	Past due or impaired 31-60 £'000	60-90 £'000	90-120 £'000	120+ £'000
Trade receivables	7,944	5,487	1,119	514	192	632
Provision	(794)	-	-	-	(162)	(632)
	7,150	5,487	1,119	514	30	-

14 Trade and other receivables (continued)

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

	30 September 2010 £'000	30 September 2009 £'000
At beginning of the year	**794**	412
Acquired on acquisitions	**234**	-
(Utilised)/provided during the year	**(91)**	382
At end of the year	**937**	794

The movement on the provision for amounts written off and additional provisions 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 2010 £'000	30 September 2009 £'000
Trade payables	**752**	856
Other taxation and social security	**1,719**	2,625
Other payables	**552**	504
Accruals and deferred income	**2,011**	2,974
	5,034	6,959

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

16 Other financial liabilities - current

	30 September 2010 £'000	30 September 2009 £'000
Bank overdraft	**23**	100
Invoice discounting facility	**2,733**	2,370
Obligations under finance leases (see note 19)	**13**	36
Bank loan	**500**	667
	3,269	3,173

16 Other financial liabilities – current (continued)
The bank overdraft of £23,000 (30 September 2009: £100,000) is secured over certain assets of the Group. Invoice discounting facilities of £2,733,000 (30 September 2009: £2,370,000) are secured by a charge over the borrowing company's book debts. Interest during the year is payable on these instruments at varying rates above the bank's base rate. The bank loan is secured over the assets of the company.
The loan is secured on the shares of Servoca Academics Limited and Academics Limited.

17 Contingent consideration

	30 September 2010 £'000	30 September 2009 £'000
Contingent cash consideration due within one year	**-**	460

At 30 September 2009, the contingent consideration was in respect of the acquisition of Servoca Academics Limited.

18 Non-current financial liabilities

	30 September 2010 £'000	30 September 2009 £'000
Bank loan	**-**	500
Obligations under finance leases (see note 19)	**1**	14
	1	514

19 Finance leases

The Group leases some of its computer equipment (net carrying value £25,000 (30 September 2009: £35,000)) and motor vehicles (net carrying value £nil (30 September 2009: £5,000)). Such assets are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments and present value 30 September 2010 £'000	Minimum lease payments and present value 30 September 2009 £'000
Not later than one year	**13**	36
Later than one year and not later than five years	**1**	14
	14	50

20 Financial instruments

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

- Credit risk
- Fair value or cash flow interest rate risk
- Liquidity risk

The Group does not trade in financial instruments or carry out derivative transactions. There is no foreign currency exposure.

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Further information on borrowings and financial instruments is contained in notes 16 to 18 to the financial statements.

Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in these notes.

20 Financial instruments (continued)
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
- Bank overdrafts
- Invoice discounting facilities
- Trade and other payable
- Bank and other loans
- Contingent consideration
- Vacant property provisions

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure implementation of the objectives and policies to the Group's finance function.

The Group's exposure to risk and the policies in respect of risk have not changed during the year. The Company is listed on AIM and the Group's working capital is financed largely by invoice discounting facilities within each subsidiary.

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

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

At the statement of financial position date there were no significant concentrations of credit risk, other than as disclosed in note 14.

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 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.

20 Financial instruments (continued)

Interest rate risk

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

The Group borrows at fixed and floating rates. The rates are monitored along with the Group's exposure and appropriate measures are taken to ensure that a balanced mix is maintained. It is the Group's objective to fund the working capital requirements by means of invoice discounting facilities.

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

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

	Fixed rate borrowings £'000	Floating rate borrowings £'000	Interest free borrowings £'000	Total £'000
At 30 September 2010				
Bank loan and overdraft	**-**	**523**	**-**	**523**
Finance leases	**14**	**-**	**-**	**14**
Invoice discounting facility	**-**	**2,733**	**-**	**2,733**
	14	**3,256**	**-**	**3,270**
At 30 September 2009				
Bank loan and overdraft	-	1,267	-	1,267
Finance leases	50	-	-	50
Invoice discounting facility	-	2,370	-	2,370
Contingent consideration	-	-	460	460
	50	3,637	460	4,147

The floating rate borrowings bear interest at varying rates above the bank's base rate. The fixed rate borrowings comprise finance leases.

All of the Group's borrowings are in sterling.

20 Financial instruments (continued)

Interest rate risk (continued)

At 30 September 2010, if interest rates on the above floating rate borrowings had been 3% (2009: 4%) higher or lower with all other variables held constant, profit after tax for the period would have been £179,000 (2009: £346,000) lower or higher. There would be the same effect on equity.

The directors consider that 3% (2009: 4%) 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.

	30 September 2010 Book value £'000	**30 September 2010 Fair value £'000**	30 September 2009 Book value £'000	30 September 2009 Fair value £'000
Bank borrowings and invoice discounting	**(3,256)**	**(3,256)**	(3,637)	(3,637)
Contingent consideration	**-**	**-**	(460)	(460)

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

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 overdrafts, invoice discounting, deferred consideration and share capital. Short-term flexibility is achieved by the use of bank overdrafts and 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.

20 Financial instruments (continued)

Liquidity risk (continued)

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

	Less than 1 year £'000	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade, other payables and provisions	**4,256**	**113**	**-**
Overdraft and invoice discounting	**2,756**	**-**	**-**
Bank loan	**500**	**-**	**-**
Finance lease	**13**	**1**	**-**
At 30 September 2010	**7,525**	**114**	**-**

	Less than 1 Year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade, other payables and provisions	5,107	131	-
Overdraft and invoice discounting	2,470	-	-
Bank loan	667	500	-
Contingent consideration	460	-	-
Finance lease	36	14	-
At 30 September 2009	8,740	645	-

Undrawn facilities

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

	30 September 2010 £'000	30 September 2009 £'000
Expiring within one year	**1,997**	3,017

20 Financial instruments (continued)

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 entity's ability to continue as a going concern, so that it can provide returns to shareholders.

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

Movements in capital during the year are disclosed in note 22 and the Consolidated Statement of Changes in Equity.

21 Provisions

	Legal claims £'000	Business restructuring £'000	Vacant property costs £'000	National Insurance on share options £'000	Total £'000
At 1 October 2009	542	76	273	13	904
Provided for in the year	350	-	-	-	350
Utilised in the year	(66)	(65)	(69)	-	(200)
At 30 September 2010	**826**	**11**	**204**	**13**	**1,054**
Due within one year or less	826	11	91	13	941
Due after more than one year	-	-	113	-	113
	826	**11**	**204**	**13**	**1,054**

Legal claims

The legal claims are in relation to specific employment legislation which the Group is liable to settle, based on legal advice which remains applicable at the current statement of financial position date.

Business restructuring

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

21 Provisions (continued)

Vacant property costs

Part of the restructuring has necessitated vacating certain of the Group's leasehold premises for which provisions have been made for the expected costs to the expiry of the leases. The timing of the cash flows resulting from this provision will be completed within five to ten years.

National Insurance on share options

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

- The market price of the company's shares at the exercise date;
- The number of options available; and
- The prevailing rate of National Insurance at the date of the exercise.

22 Called up share capital

	30 September 2010 Number '000	**30 September 2010 £'000**	30 September 2009 Number '000	30 September 2009 £'000
Authorised:				
Ordinary shares of 1p each	**1,566,917**	**15,669**	1,566,917	15,669
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Deferred shares of 9p each	**48,120**	**4,331**	48,120	4,331
	1,622,437	**27,400**	1,622,437	27,400
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**122,591**	**1,226**	118,191	1,182
Preference shares of £1 each	**-**	**-**	-	-
Deferred shares of 9p each	**48,120**	**4,331**	48,120	4,331
	170,711	**5,557**	166,311	5,513

The deferred shares hold no rights to attend or vote at general meetings, have no dividend rights and would not participate in the assets of the company on a winding up.

The preference shares, none of which are issued, hold no dividend rights except in the event of a winding up of the Company when any assets held for distribution are first applied to the holders of these shares to the extent they are paid up.

22 Called up share capital (continued)
Movements in issued share capital

	Ordinary shares of 1p each Number '000	Ordinary shares of 1p each £'000	Deferred Shares of 9p each Number '000	Deferred Shares of 9p each £'000	Ordinary Shares of 10p each Number '000	Ordinary Shares of 10p each £'000
In issue at 1 October 2008	-	-	-	-	48,120	4,812
Capital reorganisation	48,120	481	48,120	4,331	(48,120)	(4,812)
Issued during year	70,071	701	-	-	-	-
In issue at 1 October 2009	**118,191**	**1,182**	**48,120**	**4,331**	**-**	**-**
Issued during year	4,400	44	-	-	-	-
In issue at 30 September 2010	**122,591**	**1,226**	**48,120**	**4,331**	**-**	**-**

In January 2010, the Company issued 4,400,000 Ordinary 1p shares in respect of a subscription by the Servoca Plc Employee Benefit Trust.

Share options

At 30 September 2010 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
18	40.0p	01/12/07	01/12/10	30/11/17	455,000
2	31.5p	31/03/08	31/03/11	30/03/18	100,000
2	10.0p	31/03/08	31/03/11	30/03/18	232,558
5	25.0p	19/07/08	19/07/11	18/07/18	1,550,000
8	22.95p	13/10/08	13/10/11	12/04/12	192,418
2	12.5p	07/07/09	31/03/11	20/07/19	232,558
					2,762,534

22 Called up share capital (continued)

Share options (continued)

At 30 September 2009 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
26	40.0p	01/12/07	01/12/10	30/11/17	590,000
3	31.5p	31/03/08	31/03/11	30/03/18	150,000
3	10.0p	31/03/08	31/03/11	30/03/18	348,837
5	25.0p	19/07/08	19/07/11	18/07/18	1,550,000
25	22.95p	13/10/08	13/10/11	12/04/12	587,292
3	12.5p	07/07/09	31/03/11	20/07/19	348,837
					3,574,966

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 the statement of comprehensive income over the vesting period.

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

	2010 Number	2009 Number
Outstanding at beginning of year	**3,574,966**	3,893,837
Granted	**-**	1,149,627
Lapsed	**(812,432)**	(1,468,498)
Outstanding at end of year	**2,762,534**	3,574,966
Exercisable at year end	**800,000**	800,000

The individual share option plans are disclosed below.

During the year ended 30 September 2009, the Company granted 800,790 share options under a SAYE scheme for the employees. At 30 September 2010, 192,418 of these options related to 8 employees still employed by the Group. The remainder of the options had lapsed as a result of the employees leaving the Group. The options remained unexercised and had not vested as at 30 September 2010.

During the year ended 30 September 2009, the Company also granted 348,837 share options to employees and officers. At 30 September 2010, 232,558 of these options related to 2 employees still employed by the Group. The remainder of the options had lapsed as a result of the employee leaving the Group. The options remained unexercised and had not vested as at 30 September 2010.

22 Called up share capital (continued)
Share options (continued)

During the year ended 30 September 2010, a total of 812,432 of the share options had lapsed as a result of the employees leaving the Group. The options outstanding at 30 September 2010 had a weighted average exercise price of 22.8p (2009: 24.7p) and a weighted average contractual life of 8 years (2009: 9 years).

These options fall into 6 groups for valuation with exercise prices varying between 10p and 40p each:

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

Group 2 – 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 3 – 150,000 options granted 31 March 2008
Management estimated the fair value of the options to be 10p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 31.5p and volatility of 28.79%.

Group 4 – 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 5 – 800,790 options granted 13 October 2008
The fair value of the options was 9p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.43%, the average term of 5 years, share price at time of granting of 24.0p and volatility of 30.1%.

Group 6 – 348,837 options granted 13 July 2009
The fair value of the options was 4p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.09%, the average term of 5 years, share price at time of granting of 13.0p and volatility of 30.1%.

22 Called up share capital (continued)

Share options (continued)

The assumptions in respect of all options granted 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.

During 2009, Servoca set up a share scheme in its subsidiary Triple West Medical Limited (TWM) which is designed to ensure that the management are incentivised to grow and improve profitability of that company in the medium term, thereby increasing its value to the Group. Servoca owns 100% of the issued A shares in TWM which represents 80% of the issued share capital of that company. Two of the directors of TWM own 20 of the issued B shares in that company which represent the remaining 20% of its issued share capital. The B shareholders are not entitled to receive notice of, attend, speak or vote at general meetings of TWM. Under a shareholders' agreement, the B shareholders are entitled to sell their B shares to Servoca Plc at a value determined in the agreement based on the results of TWM in the twelve months to 30 November 2010. This transaction is due to be settled no later than 31 March 2011.

During 2010, Servoca set up a share scheme in its subsidiary Pure Medical Healthcare Solutions Limited (PM) which is designed to ensure that the management are incentivised to grow and improve profitability of that company in the medium term, thereby increasing its value to the Group. Servoca owns 100% of the issued A shares in PM which represents 80% of the issued share capital of that company. Two of the directors of PM own 20 of the issued B shares in that company which represent the remaining 20% of its issued share capital. The B shareholders are not entitled to receive notice of, attend, speak or vote at general meetings of PM. Under a shareholders' agreement, the B shareholders are entitled to sell their B shares to Servoca Plc at any time during the period between 1 October 2012 and 1 October 2019 at a value determined in the agreement based on the results of PM in the twelve months to the date of sale.

The fair values of the expected awards have been calculated by applying a multiple to the forecasted profit after taxation and deducting agreed borrowings.

Servoca has the sole discretion of settling these either through the allotment of Servoca shares or in cash or in a combination of both.

22 Called up share capital (continued)
Share options (continued)
The expense recognised for employee services during the year is:

	30 September 2010 £'000	30 September 2009 £'000
Expense arising from equity settled share based payment transactions – share options and employee benefit trust	**264**	100
Expense arising from equity settled purchase of subsidiary shares	**222**	222
	486	322

The fair value of the share-based payments award relating to the employee benefit trust securities has been estimated based on the following assumptions:

- The share price at the grant date was 17.25p; and
- The shares cannot be transferred without written consent for a period of 6 years up to November 2014. The discount related to the restrictions is 22.5%.

23 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.

The own shares represent the cost of the shares held by the Servoca Plc Employee Benefit Trust. The Trust has granted a beneficial interest in these shares to Andrew Church subject to certain conditions. This interest is subject to continuing employment during the period to November 2011 and cannot be realised before November 2014 unless there is an earlier change of control of the Company. At 30 September 2010, the Trust owned 4.4 million Ordinary 1p shares which had a market value of £396,000 at the statement of financial position date.

24 Acquisitions

(a) Phoenix ES Limited

On 14 August 2010, the Company acquired, as a going concern, the business, trade and assets of Phoenix Employment Services Limited from their administrators. The total consideration paid of £0.96 million was in cash, of which £0.77 million was for the net assets and £0.19 million for goodwill. Phoenix trades from three locations in the Midlands and Home Counties and provides outsourcing and recruitment services for the domiciliary care and nursing markets. The business will enhance the existing Healthcare segment of the Group.

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Property, plant and equipment	**2**	**-**	**2**
Trade and other receivables	**1,020**	**(234)**	**786**
Customer relationships	**-**	**-**	**-**
Liabilities	**(16)**	**-**	**(16)**
Net assets	**1,006**	**(234)**	**772**
Consideration paid			
Cash			**961**
Goodwill			**189**

	£'000
Net cash outflow being cash paid	**961**

The potential intangible assets that arise from the acquisition of some of the trade and assets of Phoenix from the administrators is the difference between the cash consideration paid less net assets acquired. As the acquisition is so recent, the Board is still considering the existence of any identifiable intangible assets within Phoenix and it is anticipated that any significant intangible assets would be valued by March 2011. Currently, the excess of cash paid over the fair value of the net assets acquired has been attributed to goodwill related to acquired workforce, customer list and expected synergies.

Included in the results of the Group for the year to September 2010 is revenue of £1,018,000 and a loss after tax of £262,000 in respect of Phoenix ES Limited business acquired after acquisition charges. Acquisition costs of £17,000 are included within administrative expenses in the statement of comprehensive income.

Disclosure of results of Phoenix ES Limited as if it had been acquired on 1 October 2009 is considered to be impractical due to difficulty in obtaining past information from the company since it entered administration.

24 Acquisitions (continued)

(b) Servoca Nursing & Care Limited

On 28 January 2009, Windsor Recruitment & Training Limited (Windsor) was put into administration. On the same day, an arm's length transaction was negotiated by Healthcare RS Limited with the administrators to purchase the book debts and some of the business and assets of Windsor.

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

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Property, plant and equipment	**20**	**-**	**20**
Trade and other receivables	**1,317**	**(891)**	**426**
Customer relationships	**-**	**171**	**171**
Liabilities	**-**	**(137)**	**(137)**
Invoice discounting facilities	**(292)**	**-**	**(292)**
Net assets	**1,045**	**(857)**	**188**
Consideration paid			
Cash			**262**
Costs associated with the acquisition			**34**
Goodwill			**108**

Net cash outflow on acquisition

	£'000
Invoice discounting facility acquired on acquisition	**292**
Cash paid	**296**
Net cash outflow	**588**

The potential intangible assets that arise from the acquisition of some of the trade and assets of Windsor from the administrators is the difference between the cash consideration paid less net assets acquired. The board considered the existence of any valuable intangible assets within Windsor and identified some significant customer relationships. These have been valued by discounting their future net earnings over the contract period. The remaining consideration was attributed to goodwill.

The following factors have contributed to the recognition of goodwill:

- The acquired workforce
- The expected synergies from acquisition

24 Acquisitions (continued)

(b) Servoca Nursing & Care Limited (continued)

The acquired trade of Windsor was merged with that of Servoca Nursing & Care Limited making the measurement of the results of Windsor since this purchase not readily identifiable. In the opinion of the directors, it is impractical to separate these figures.

(c) Pure Medical Healthcare Solutions Limited

On 5 August 2009, the Company purchased the entire issued share capital of North West Locums Limited for a total consideration of £77,000. North West Locums Limited had no assets except for an agreement with the NHS Purchasing and Supply Agency (PASA) regarding the supply of medical locums to all NHS bodies within England, Scotland and Wales. This PASA agreement was novated into a new subsidiary company Pure Medical Healthcare Solutions Limited and in September 2009, North West Locums Limited was placed in a members' voluntary liquidation.

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

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Net assets acquired			
Intangible asset - Licence	**-**	**77**	**77**
Consideration paid			
Cash			**66**
Costs associated with the acquisition			**11**
Goodwill			**-**

As at 30 September 2009, Pure Medical Healthcare Solutions Limited has no assets other than the PASA Licence which, in the opinion of the directors, has a fair value equal to the consideration paid.

North West Locums Limited previously had an accounting reference date of September but did not trade in the year to 30 September 2008.

Included in the results of the Group for the year to September 2009 is a loss £21,000 in respect of Pure Medical Healthcare Solutions Limited since the acquisition of North West Locums Limited and the novation of the PASA agreement.

24 Acquisitions (continued)

(c) Pure Medical Healthcare Solutions Limited (continued)

The amount included in the consolidated statement of cash flows in respect of all the acquisitions in the year is as follows:

	Consideration £'000	**ID facility acquired £'000**	**Total £'000**
Further costs of acquisition and contingent consideration of Servoca Academics Limited	552	-	552
Phoenix ES Ltd	961	-	961
At 30 September 2010	**1,513**	**-**	**1,513**

The amount included in the consolidated statement of cash flows in respect of all the acquisitions in 2009 is as follows:

	Consideration £'000	ID facility acquired £'000	Total £'000
Further costs of acquisition and contingent consideration of Servoca Academics Limited	2,739	-	2,739
Servoca Nursing & Care Limited	296	292	588
Pure Medical Healthcare Solutions Limited	77	-	77
At 30 September 2009	3,112	292	3,404

25 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 2010 Land and buildings £'000	**30 September 2010 Other £'000**	30 September 2009 Land and buildings £'000	30 September 2009 Other £'000
Not later than one year	**311**	**50**	353	82
Later than one year but not later than five years	**379**	**11**	730	63
Later than five years	**-**	**-**	-	1
	690	**61**	1,083	146

26 Notes to the consolidated statement of cash flows

a) Cash and cash equivalents comprise

	30 September 2010 £'000	30 September 2009 £'000
Cash available on demand	**310**	278
Overdrafts	**(23)**	(100)
Invoice discounting facilities	**(2,733)**	(2,370)
	(2,446)	(2,192)
Cash and cash equivalents at beginning of year	**(2,192)**	(5,565)
Net cash (decrease)/increase in cash and cash equivalents	**(254)**	3,373

b) Analysis of net debt

2010	As at 1 October 2009 £'000	Cash flow £'000	Arising on acquisitions £'000	Non cash movement £'000	**As at 30 September 2010 £'000**
Cash and cash equivalents	(2,192)	(254)	-	-	**(2,446)**
Finance lease obligations	(50)	36	-	-	**(14)**
Loans	(1,167)	667	-	-	**(500)**
	(3,409)	449	-	-	**(2,960)**

2009	As at 1 October 2008 £'000	Cash flow £'000	Arising on acquisitions £'000	Non cash movement £'000	As at 30 September 2009 £'000
Cash and cash equivalents	(5,565)	3,373	-	-	(2,192)
Finance lease obligations	(103)	53	-	-	(50)
Loans	(1,833)	666	-	-	(1,167)
	(7,501)	4,092	-	-	(3,409)

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

The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charge in note 3 represents the contributions payable by the Group to the schemes for the year.

There were no outstanding or prepaid contributions at either the beginning or end of the year.

28 Related party transactions
As stated in note 17, the final contingent consideration was paid to the vendors of Academics Limited, of which Emma Sugarman previously owned 70% of the issued share capital. This final contingent consideration was £552,000 in total. Emma is now a non-executive director of Servoca Plc.

As stated in note 4 the Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £35,000 (2009: £30,000) were made to Hawk Consulting Limited in the year for services rendered.

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

29 Subsequent events
At a General Meeting of the Company on 3 November 2010, a resolution was passed to allow the Board to cancel and extinguish the Deferred Shares of 9p each. An application to the Courts will be made to action this resolution.

During the same General Meeting, a resolution was passed to alter the Articles of Association of the Company to remove any reference to the authorised share capital of the Company. This is in accordance with the Companies Act 2006.

With effect from 1 October 2010, the Group has restructured its subsidiaries in order to better monitor the performance of the Group and to allow implementation of management incentive schemes to enhance the profitability of the Group and enhance shareholder value. At the above General Meeting, a resolution was passed to allow the establishment of the Servoca Management Incentive Plan which, in summary, offers participants the opportunity to acquire restricted B ordinary shares in their trading subsidiary and, following a set period of time, to sell that interest to Servoca Plc.

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

Independent auditors' report

To the members of Servoca Plc

We have audited the parent company financial statements of Servoca Plc for the year ended 30 September 2010 which comprise the Parent Company Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 11 and 12, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Servoca Plc for the year ended 30 September 2010.

Andy Glover (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 January 2011

SERVOCA Plc
Parent Company balance sheet
At 30 September 2010

	Note	30 September 2010 £'000	30 September 2009 £'000
Fixed assets			
Tangible assets	2	**236**	274
Investments	3	**10,477**	10,178
		10,713	10,452
Current assets			
Debtors	4	**233**	246
Deferred tax asset		**289**	-
Cash at bank and in hand		**87**	-
		609	246
Creditors: amounts falling due within one year	5	**(1,277)**	(2,824)
Net current liabilities		**(668)**	(2,578)
Total assets less current liabilities		**10,045**	7,874
Creditors: amounts falling due after more than one year	6	**(1,460)**	(4,163)
Provisions for liabilities and charges	7	**(43)**	(108)
Net assets		**8,542**	3,603
Capital and reserves			
Called up share capital	8	**5,557**	5,513
Share premium account	9	**7,799**	7,078
Own shares	9	**(790)**	-
Profit and loss account	9	**(4,024)**	(8,988)
Shareholders' funds	10	**8,542**	3,603

The financial statements were approved by the Board and authorised for issue on 26 January 2011.

Andrew Church
Chief Executive Officer

Glenn Swaby
Chief Financial Officer

The notes on pages 67 to 78 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of preparation

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

Investments

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

Depreciation

Fixed assets are stated at historical cost less accumulated depreciation. Depreciation has been calculated at the following rates:

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

Deferred taxation

Deferred taxation balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that deferred tax assets are only recognised to the extent that it is considered more likely than not that these are recoverable. Deferred taxation balances are not discounted.

Financial instruments

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

The Parent Company does not hold or issue derivative financial instruments for trading purposes.

Financial liability and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

1 Accounting policies (continued)
Dividends
Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Leased assets
Finance leases
Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown in the amounts payable to the lessor. Depreciation of the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Operating leases
All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs
The Parent Company operates a defined contribution pension scheme. There is a self-administered scheme for certain executive directors 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.

1 Accounting policies (continued)

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

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

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

National Insurance is payable on gains made by employees on exercise of certain share options granted to them. The eventual liability to National Insurance is dependent on the market price of the shares at the date of exercise, the number of options to being exercised and the prevailing rate of National Insurance at the date of exercise. The Parent Company provides for potential National Insurance dependant on the current market value of the shares.

2 Tangible fixed assets

	Leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Computer equipment £'000	Total £'000
Cost				
At 1 October 2009	136	34	563	733
Additions	43	19	14	76
At 30 September 2010	**179**	**53**	**577**	**809**
Depreciation				
At 1 October 2009	67	12	380	459
Charge for the year	31	10	73	114
At 30 September 2010	**98**	**22**	**453**	**573**
Net book value				
At 30 September 2010	**81**	**31**	**124**	**236**
At 30 September 2009	69	22	183	274

The net book value of the computer equipment includes an amount of £25,000 (30 September 2009: £35,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £10,000 (30 September 2009: £11,000).

3 Investments

	Subsidiary undertakings £'000
Cost	
At 1 October 2009	15,849
Additions	222
Adjustment for contingent consideration	92
At 30 September 2010	**16,163**
Provisions	
At 1 October 2009	5,671
Provisions in year	15
At 30 September 2010	**5,686**
Net book value	
At 30 September 2010	**10,477**
At 30 September 2009	10,178

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

	30 September 2010 £'000	30 September 2009 £'000
SN&C Holdings Limited	**350**	350
The Locum Partnership Limited	**164**	164
Servoca Resourcing Solutions Limited	**2,180**	2,180
Servoca Academics Limited	**7,277**	7,185
Triple West Medical Limited	**444**	222
Pure Medical Healthcare Solutions Limited	**62**	77
	10,477	10,178

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

4 Debtors

	30 September 2010 £'000	30 September 2009 £'000
Other debtors	**40**	52
Prepayments and accrued income	**193**	194
	233	246

Included in other debtors is an amount of £30,000 (30 September 2009: £52,000) relating to taxation and social security.

All amounts shown fall due for payment within one year.

5 Creditors: amounts falling due within one year

	30 September 2010 £'000	30 September 2009 £'000
Bank loan	**500**	667
Obligations under finance leases	**13**	18
Bank overdrafts (unsecured)	**-**	12
Trade creditors	**333**	478
Deferred consideration - cash	**-**	460
Other taxation and social security	**86**	116
Other creditors	**3**	9
Accruals and deferred income	**342**	1,064
	1,277	2,824

The Company has an unrecognised deferred tax asset of £452,000 (2009: £1,454,000) in respect of tax trading and capital losses, decelerated capital allowances and other timing differences. These have not been recognised as there is currently no sufficient evidence about available profits in the future.

6 Creditors: amounts falling due after more than one year

	30 September 2010 £'000	30 September 2009 £'000
Bank loan	**-**	500
Obligations under finance leases	**1**	14
Amounts due to group companies	**1,459**	3,649
	1,460	4,163

No terms have been formally agreed for the repayment of the amounts due to group companies but the directors believe that they will not be repaid in the foreseeable future. No interest is charged on balances between group companies.

7 Provisions for liabilities and charges

	Business restructuring £'000	**Vacant property costs £'000**	**National Insurance on share options £'000**	**Total £'000**
At 1 October 2009	76	19	13	108
Utilised in the year	(65)	-	-	(65)
At 30 September 2010	**11**	**19**	**13**	**43**
Due within one year or less	11	19	13	43
Due after more than one year	-	-	-	-
	11	**19**	**13**	**43**

During 2009, as part of the Group's restructuring programme, the Board has terminated all loss making businesses which includes the revision of the management structure, streamlining the operational management, simplifying the corporate structure and continued the rationalisation of the front and back office systems and a reduction of operational and administrative staff and overheads. Part of this restructuring has necessitated vacating certain of the Group's leasehold premises for which provisions have been made for the expected costs to the expiry of the leases.

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

- The market price of the company's shares at the exercise date;
- The number of options available; and
- The prevailing rate of National Insurance at the date of the exercise.

8 Called up share capital

	30 September 2010 Number '000	**30 September 2010 £'000**	30 September 2009 Number '000	30 September 2009 £'000
Authorised:				
Ordinary shares of 1p each	**1,566,917**	**15,669**	1,566,917	15,669
Preference shares of £1 each	**7,400**	**7,400**	7,400	7,400
Deferred shares of 9p each	**48,120**	**4,331**	48,120	4,331
	1,622,437	**27,400**	1,622,437	27,400
Allotted, issued and fully paid:				
Ordinary shares of 1p each	**122,591**	**1,226**	118,191	1,182
Preference shares of £1 each	**-**	**-**	-	-
Deferred shares of 9p each	**48,120**	**4,331**	48,120	4,331
	170,711	**5,557**	166,311	5,513

The deferred shares hold no rights to attend or vote at general meetings, have no dividend rights and would not participate in the assets of the company on a winding up.

The preference shares hold no dividend rights except in the event of a winding up of the Company when any assets held for distribution are first applied to the holders of these shares to the extent they are paid up.

Movements in issued share capital

	Ordinary shares of 1p each Number '000	**Ordinary shares of 1p each £'000**	**Deferred Shares of 9p each Number '000**	**Deferred Shares of 9p each £'000**	**Ordinary Shares of 10p each Number '000**	**Ordinary Shares of 10p each £'000**
In issue at 1 October 2008	-	-	-	-	48,120	4,812
Capital reorganisation	48,120	481	48,120	4,331	(48,120)	(4,812)
Issued during year	70,071	701	-	-	-	-
In issue at 1 October 2009	**118,191**	**1,182**	**48,120**	**4,331**	**-**	**-**
Issued during year	4,400	44	-	-	-	-
In issue at 30 September 2010	**122,591**	**1,226**	**48,120**	**4,331**	**-**	**-**

In January 2010, the Company issued 4,400,000 Ordinary 1p shares in respect of a subscription by the Servoca Plc Employee Benefit Trust.

8 Called up share capital (continued)
Share options

At 30 September 2010 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
18	40.0p	01/12/07	01/12/10	30/11/17	455,000
2	31.5p	31/03/08	31/03/11	30/03/18	100,000
2	10.0p	31/03/08	31/03/11	30/03/18	232,558
5	25.0p	19/07/08	19/07/11	18/07/18	1,550,000
8	22.95p	13/10/08	13/10/11	12/04/12	192,418
2	12.5p	07/07/09	31/03/11	20/07/19	232,558
					2,762,534

The movement in the total number of share options over the periods was as follows:

	30 September 2010 Number	30 September 2009 Number
Outstanding at beginning of year	**3,574,966**	3,893,837
Granted	**-**	1,149,627
Lapsed	**(812,432)**	(1,468,498)
Outstanding at end of year	**2,762,534**	3,574,966
Exercisable at year end	**800,000**	800,000

The individual share option plans are disclosed below.

During the year ended 30 September 2009, the Company granted 800,790 share options under a SAYE scheme for the employees. At 30 September 2010, 192,418 of these options related to 8 employees still employed by the Company. The remainder of the options had lapsed as a result of the employees leaving the Group. The options remained unexercised and had not vested as at 30 September 2010.

During the year ended 30 September 2009, the Company also granted 348,837 share options to employees and officers. At 30 September 2010, 232,558 of these options related to 2 employees still employed by the Group. The remainder of the options had lapsed as a result of the employee leaving the Group. The options remained unexercised and had not vested as at 30 September 2010.

8 Called up share capital

Share options (continued)

During the year ended 30 September 2009, a total of 812,432 of the share options had lapsed as a result of the employees leaving the Group. The options outstanding at 30 September 2010 had a weighted average exercise price of 22.8p (2009: 24.7p) and a weighted average contractual life of 8 years (2009: 9 years).

These options fall into 6 groups for valuation with exercise prices varying between 10p and 40p each:

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

Group 2 – 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%. The total fair value has been reduced by 20% to reflect the expected forfeit rate for this group of options.

Group 3 – 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 4 – 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 5 – 800,790 options granted 13 October 2008
The fair value of the options was 9p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.23%, the average term of 5 years, share price at time of granting of 24.0p and volatility of 30.1%.

Group 6 – 348,837 options granted 13 July 2009
The fair value of the options was 4p per option at the date of grant. The value of these options was determined using the binomial option-pricing model with assumptions of the risk free rate of 4.09%, the average term of 5 years, share price at time of granting of 13.0p and volatility of 30.1%.

8 Called up share capital (continued)

Share options (continued)

The assumptions in respect of all options granted 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.

The expense recognised for employee services during the year is:

	30 September 2010 £'000	30 September 2009 £'000
Expense arising from equity settled share based payment transactions – share options and employee benefit trust	**264**	100
Expense arising from equity settled purchase of subsidiary shares	**222**	222
	486	322

The fair value of the share-based payments award relating to the employee benefit trust securities has been estimated based on the following assumptions:

- The share price at the grant date was 17.25p; and
- The shares cannot be transferred without written consent for a period of 6 years up to November 2014. The discount related to the restrictions is 22.5%.

9 Share premium account and other reserves

	Share premium £'000	**Own shares £'000**	**Profit and loss account £'000**
At 1 October 2009	7,078	-	(8,988)
Arising on share issues	746	(790)	-
Share issue costs	(25)	-	-
Share based payment expense	-	-	486
Profit for the year	-	-	4,478
At 30 September 2010	**7,799**	**(790)**	**(4,024)**

10 Reconciliation of movements in shareholders' funds

	30 September 2010 £'000	30 September 2009 £'000
Profit/(loss) for the year	**4,478**	(1,970)
Share based payment expense	**486**	322
Ordinary shares issued, net of expenses	**765**	5,725
Own shares held	**(790)**	-
Net movement in shareholders' funds	**4,939**	4,077
Opening shareholders' funds/(deficit)	**3,603**	(474)
Closing shareholders' funds	**8,542**	3,603

11 Parent company results

The Parent Company's own result for the year was a profit after taxation of £4,478,000 (2009: loss after taxation of £1,970,000).

12 Pensions

The Parent Company operates defined contribution self-administered pension schemes on behalf of certain executive directors. 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.

13 Related party transactions

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

As stated in note 17 to the Group financial statements, the final contingent consideration was paid to the vendors of Academics Limited, of which Emma Sugarman previously owned 70% of the issued share capital. This final contingent consideration was £552,000 in total. Emma is now a non-executive director of Servoca Plc.

As stated in note 4 to the Group financial statements, the Group has an agreement with Hawk Consulting Limited for Bob Morton to supply consultancy services to the Group. He is the owner of Hawk Consulting Limited and payments totalling £35,000 (2009: £30,000) were made to Hawk Consulting Limited in the year for services rendered.