SERVOCA Plc

Specialist Outsourcing and Recruitment Solutions Provider

Interim report
For the six months ended 31 March 2012

Highlights

- Revenue £22.25m (March 2011: £25.23m)
- Gross profit £6.17m (March 2011: £6.85m)
- Profit before taxation (excluding share based payments and amortisation) £0.10m (March 2011: £0.80m)
- Outsourcing revenues up 4.7% to £8.41m (March 2011: £8.03m)
- Recruitment revenues down 19.5% to £13.84m (March 2011: £17.20m)
- Administrative expenses before share based payments and amortisation £6.03m (March 2011: £5.99m)
- Net Debt £2.87m (March 2011: £2.58m, September 2011: £2.78m)
- Basic EPS of 0.08p before share based payment and amortisation charges (March 2011: 0.68p)

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This document is available from the Company's website: www.servoca.com, on the "Shareholder Documents" page in the section headed "Investor Relations"

SERVOCA Plc
Interim Statement
For the six months ended 31 March 2012

Introduction

The six months ended 31 March 2012 for the Group have been very challenging, with a reduction in revenues, gross profit and profit before taxation. Despite these challenges, we are glad to report that Servoca has remained profitable.

As indicated in our statement for the year ended 30 September 2011 our public sector recruitment businesses entered the current financial year with continuing challenges to their trading environment. We anticipated further reductions in revenues from both our Education and Doctors businesses in particular and these account for the majority of the revenue and gross profit reductions.

Revenues in our Outsourcing operation were up by almost 5% but revenues across the recruitment operations were down by just under 20%.

The continued investment in our Outsourcing capabilities was partly off-set by a reduced overhead in our recruitment operations, leaving administrative expenses broadly flat.

We have continued to focus on development of our Outsourcing operations and are pleased to report that our Security business has delivered a strong uplift in revenues and profitability in the first half.

Financial review

During the six months to 31 March 2012, revenues were £22.25m (March 2011: £25.23m) which resulted in a reduction in gross profit from £6.85m in the six months to 31 March 2011 to £6.17m in the current period.

The profit before tax, share based payments and amortisation was £0.10m (March 2011: £0.80m).

Basic earnings per share for the period to 31 March 2012 were 0.00p (March 2011: 0.47p).

Net debt at 31 March 2012 was £2.87m (March 2011: £2.58m).

Operational highlights

Strategy and delivery

During the period the focus remained the development of the Group's outsourcing capabilities. Progress continues to be made in improving our potential in this area. We also believe that demand will stabilize in the future in our recruitment operations. Our goal is to maintain a credible capability whilst managing overheads and profitability in the short to medium term.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2012

Operational highlights (continued)

Outsourcing

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

Our **Domiciliary Care** service involves the delivery of care to users in their own homes. The nature of the care provided ranges in complexity with much of our supply focused on those users requiring continuing care for on-going medical conditions.

Building on the successful integration of an acquisition in this area just over 18 months ago we continue to develop our Domiciliary Care capabilities. During the period progress has been below expectations, but we remain of the view that this market holds long term growth potential.

In our statement for the financial year ended 30 September 2011 we signaled that this area was not immune from spending pressures where funding relied upon local authority budgets. During the first six months of the financial year, this issue has become evident in some NHS authorities. Some Primary Care Trusts (who currently commission providers on behalf of the NHS) have significantly reduced the amount of care they are willing to fund despite demand continuing to grow. In some cases we have seen a noticeable reduction in the amount of care the PCT's will fund for conditions that would previously have had many more hours of care provided. Charges and margins are also under pressure as PCT's report that they have reduced budgets to fund care in comparison to previous years. Revenues and gross margins are down as a result of this impact.

Despite these challenges, demand continues to grow in line with an ageing and growing population and we have opened three new branches in the period which we believe will prosper from this trend in the medium to longer term. We have also started to develop additional service offerings targeted at alternative funding sources.

The investment made during year ended 30 September 2011 in our **Security** business has begun to bear fruit with revenues and gross profits up almost 40% and 66% respectively. This has filtered through to much improved profitability.

The development of our service offerings has helped yield an encouraging uplift in revenues and profitability over the same period last year. The introduction of event security and the supply of specialist security products to the retail industry have aided this performance. We anticipated a significant impact from a number of exclusive contracts we had secured last year in the profitability for the first half of this year and are pleased to report that this was as expected.

We have also seen an improvement in revenues from our corporate investigations business which operates at attractive margins. New management appointed last year has had a positive impact on this area's ability to generate work. The mix of services has helped drive a substantial improvement in the gross margins the business now generates which have improved by almost 20%.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2012

Recruitment

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

The **Healthcare** area has continued to see pressure on demand and spending, though our Nursing supply business has again proved more resilient than our Doctors business.

Revenues in our **Nursing** businesses were down just under 4% but margin pressure from the NHS against the on-going budget restraints pushed gross profits down by over 15%. To remain competitive in current market conditions our charges and margins have had to be adjusted which has helped stabilise turnover. In the supply of General Nurses and care workers to the NHS and Nursing Homes our revenues were actually up by 8%. Our specialist Nursing brand Firstpoint, which specialises in the supply of theatre Nurses, saw demand substantially reduced as a consequence of less surgery taking place in the NHS. The NHS has in many cases abandoned surgical waiting list targets reducing the amount and frequency of procedures taking place. We are well placed to meet any upturn in demand and tight management of overheads has kept the net contribution stable.

The continued deterioration in trading conditions for our **Doctors** supply businesses has been the most pronounced. As indicated in our statement for the year ended 30 September 2011, the run rates as we entered the current financial year were such that we anticipated further falls in revenue and gross profit. Revenues were down by 50% over the same period in 2011 and gross profits fell by almost the same amount. Demand has fallen substantially and supply is now largely channelled through the formal procurement channels of the NHS at reduced margins. As the majority of our supply was historically supplied off framework, the impact felt is significant. In the absence of any indications that conditions will improve in the UK this business is being restructured to reflect the reduced level of opportunity. We have also started work on supplying overseas territories which we will develop further in the second half.

We also flagged in our statement for the year ended 30 September 2011 that we expected further reductions in revenues from our **Education** operations and these were down 16% over the same period last year, however, the level of profitability was ahead of internal expectations and we are seeing some tentative signs of demand returning.

The Education businesses are now under unified management which have made a positive impact over the first half of the year. We continue to improve our internal capabilities and are developing a better business mix of short and long term temporary supply into schools. We have also seen encouraging progress in our new branch operations and have opened another branch as we expand our growth potential.

The **Police** business has enjoyed a period of consolidation and revenues and gross profit were ahead of the same period last year. Whilst trading conditions constrain growth expectations the business has made solid progress.

SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2012

Outlook

The Group continues to endure a challenging trading environment and it is now clear that the full year outturn will be below those achieved last year and current market expectations.

The nature of the trading environment and performance in the first six months means that we are taking action to reduce the overhead base accordingly. This is primarily focussed on our Healthcare businesses (both Domiciliary Care and Recruitment) where a restructuring is taking place. This action will result in a substantial reduction in overheads for the start of the next financial year.

We continue to invest in areas where we see growth potential and the performance of our Security business was very positive in the first half. Whilst the Domiciliary Care business has come under some pressure from historic funding sources we are actively targeting new areas. The long-term demand for these services continues to grow and it is well documented that the government needs to address the issue of funding adequate levels of care for an ageing and growing population. Part of this restructuring will see us strengthen management in this area.

We are also seeing some early signs of an improvement in our Education recruitment markets and under a unified management we are positively developing our internal capabilities. September is critical for both our full year profits and in establishing a platform for the next financial year.

The focus in the second half will be on delivering our restructuring plans to reduce the overhead base in those areas where the current market opportunity dictates that this is required. We will continue to develop our capability in those areas where we believe there is opportunity for growth and improved profitability.

Bob Morton
Chairman
14 June 2012

Andrew Church
Chief Executive Officer
14 June 2012

Interim report for the six months ended 31 March 2012

SERVOCA Plc

Consolidated statement of comprehensive income

For the six months ended 31 March 2012

		Six months ended 31 March 2012 (unaudited)			Six months ended 31 March 2011 (unaudited)			Year ended 30 September 2011 (audited)		
	Note	Before amortisation and share based payments £'000	Amortisation, and share based payments £'000	Total £'000	Before amortisation and share based payments £'000	Amortisation and share based payments £'000	Total £'000	Before amortisation and share based payments £'000	Amortisation and share based payments £'000	Total £'000
Continuing operations										
Revenue		22,246	-	22,246	25,230	-	25,230	47,863	-	47,863
Cost of sales		(16,079)	-	(16,079)	(18,385)	-	(18,385)	(34,477)	-	(34,477)
Gross profit		6,167	-	6,167	6,845	-	6,845	13,386	-	13,386
Administrative expenses		(6,028)	(98)	(6,126)	(5,993)	(246)	(6,239)	(11,480)	(428)	(11,908)
Operating profit		139	(98)	41	852	(246)	606	1,906	(428)	1,478
Finance costs		(38)	-	(38)	(48)	-	(48)	(92)	-	(92)
Profit before taxation		101	(98)	3	804	(246)	558	1,814	(428)	1,386
Tax charge		-	-	-	-	-	-	(133)	-	(133)
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent		101	(98)	3	804	(246)	558	1,681	(428)	1,253
Earnings per share:		Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
- Basic	6	0.08	(0.08)	0.00	0.68	(0.21)	0.47	1.41	(0.36)	1.05
- Diluted	6	0.08	(0.08)	0.00	0.66	(0.20)	0.46	1.36	(0.35)	1.01

SERVOCA Plc
Consolidated statement of financial position
At 31 March 2012

	Note	**31 March 2012 (unaudited) £'000**	31 March 2011 (unaudited) £'000	30 September 2011 (audited) £'000
Assets				
Non-current assets				
Intangible assets		**6,739**	6,800	6,768
Property, plant and equipment		**370**	387	393
Deferred tax asset		**404**	537	404
Total non-current assets		**7,513**	7,724	7,565
Current assets				
Trade and other receivables		**6,727**	8,007	7,382
Inventories		**31**	-	76
Cash and cash equivalents		**241**	423	366
Total current assets		**6,999**	8,430	7,824
Total assets		**14,512**	16,154	15,389
Liabilities				
Current liabilities				
Trade and other payables		**(3,489)**	(5,151)	(4,401)
Other financial liabilities and provisions	7	**(3,208)**	(3,846)	(3,245)
Total liabilities		**(6,697)**	(8,997)	(7,646)
Total net assets		**7,815**	7,157	7,743
Capital and reserves attributable to equity holders of the parent				
Called up share capital	8	**1,256**	5,557	1,256
Share premium account		**202**	7,799	202
Merger reserve		**2,772**	2,772	2,772
Reverse acquisition reserve		**(12,268)**	(12,268)	(12,268)
Own shares		**(790)**	(790)	(790)
Retained earnings		**16,643**	4,087	16,571
		7,815	7,157	7,743

SERVOCA Plc
Consolidated statement of changes in equity
For the six months ended 31 March 2012

Unaudited	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 1 October 2010	**5,557**	**7,799**	**2,772**	**(12,268)**	**(790)**	**3,313**	**6,383**
Changes in equity for the period ended 31 March 2011							
Profit for the period	-	-	-	-	-	558	558
Total comprehensive income for the period	-	-	-	-	-	558	558
Share based payment transactions	-	-	-	-	-	216	216
	-	-	-	-	-	216	216
Balance as at 31 March 2011	**5,557**	**7,799**	**2,772**	**(12,268)**	**(790)**	**4,087**	**7,157**
Changes in equity for the period ended 30 September 2011							
Profit for the period	-	-	-	-	-	695	695
Total comprehensive income for the period	-	-	-	-	-	695	695
Issue of share capital	30	216	-	-	-	-	246
Share issue costs	-	(14)	-	-	-	-	(14)
Settlement of share based payment transaction	-	-	-	-	-	(492)	(492)
Reduction in capital	(4,331)	(7,799)	-	-	-	12,130	-
Share based payment transactions	-	-	-	-	-	151	151
	(4,301)	(7,597)	-	-	-	11,789	(109)
Balance as at 30 September 2011	**1,256**	**202**	**2,772**	**(12,268)**	**(790)**	**16,571**	**7,743**
Changes in equity for the period ended 31 March 2012							
Profit for the period	-	-	-	-	-	3	3
Total comprehensive income for the period	-	-	-	-	-	3	3
Share based payment transactions	-	-	-	-	-	69	69
Balance as at 31 March 2012	**1,256**	**202**	**2,772**	**(12,268)**	**(790)**	**16,643**	**7,815**

SERVOCA Plc
Consolidated statement of cash flows
For the six months ended 31 March 2012

	Note	**Six months ended 31 March 2012 (unaudited) £'000**	Six months ended 31 March 2011 (unaudited) £'000	Year ended 30 September 2011 (audited) £'000
Operating activities				
Profit before tax		**3**	558	1,386
Non cash adjustment to reconcile profit before tax to net cash flows:				
Depreciation and amortisation		**148**	162	334
Share based payments		**69**	216	367
Finance costs		**38**	48	92
Loss on sale of property, plant and equipment		**-**	6	27
Movement in provisions		**-**	(207)	(955)
Working capital adjustments:				
Decrease/(increase) in trade and other receivables		**698**	(271)	146
Decrease in trade and other payables		**(910)**	(15)	(632)
Cash generated from operations		**46**	497	765
Corporation tax paid		**-**	-	-
Cash flows from operating activities		**46**	497	765
Investing activities				
Acquisitions of "B" ordinary shares in subsidiary		**-**	-	(246)
Purchase of property, plant and equipment		**(96)**	(66)	(235)
Proceeds of sale of property, plant and equipment		**-**	-	2
Net cash flows used in investing activities		**(96)**	(66)	(479)
Cash flows from financing activities				
Share issue costs		**-**	-	(14)
Repayment of loan		**-**	(500)	(500)
Interest paid		**(38)**	(48)	(92)
Repayment of finance lease liability		**-**	(8)	(13)
Net cash flows used in financing activities		**(38)**	(556)	(619)
Decrease in cash and cash equivalents		**(88)**	(125)	(333)
Cash and cash equivalents at the beginning of the period		**(2,779)**	(2,446)	(2,446)
Cash and cash equivalents at the end of the period	9	**(2,867)**	(2,571)	(2,779)

SERVOCA Plc
Notes forming part of the financial information
For the six months ended 31 March 2012

1 Accounting periods
The accounting reference date of the Group is 30 September. The current interim results are for the six months ended 31 March 2012. The comparative interim results are those for the six months ended 31 March 2011. The comparative year end's results are for the year ended 30 September 2011.

2 Going concern
The directors have prepared trading and cash flow forecasts for the period to 30 September 2013 which indicate adequate headroom in borrowing facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

3 Financial information
The interim financial information for the six months ended 31 March 2012 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2012 and 31 March 2011 are unaudited. The comparative figures for the year ended 30 September 2011 are not the full statutory accounts for the period. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

4 Basis of preparation and accounting policies
The interim financial statements have been prepared using the recognition and measurement principles of IFRS as endorsed for use in the European Union.

The accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 September 2011 and no new standards or interpretations that have come in to effect in the interim period has a material impact on the results of the business.

5 Segmental information

The Group's format for reporting segment information is by business segment, being by type of service supplied. The operating divisions are organised and managed by reporting segment where applicable and by divisions within a reporting entity where necessary. The information presented is consistent with that used by the chief operating decision maker. All revenues are generated from external customers.

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

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

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated[1] £'000	Total £'000
For the six months ended 31 March 2012:				
Revenue	8,406	13,840	-	22,246
Segment expense	(8,243)	(13,416)	(448)	(22,107)
Amortisation and share based payment expense	(25)	(41)	(32)	(98)
Operating profit/(loss)	138	383	(480)	41
Interest expense	(16)	(22)	-	(38)
Profit/(loss) before tax	122	361	(480)	3
As at 31 March 2012:				
Assets	4,202	9,519	791	14,512
Liabilities	(2,504)	(3,741)	(452)	(6,697)
Net assets	1,698	5,778	339	7,815

[1] Unallocated includes holding company director costs, group legal costs, central share based payment charges and a share of central property costs.

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Notes forming part of the financial information

For the six months ended 31 March 2012

5 Segmental information (continued)

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated[1] £'000	Total £'000
For the six months ended 31 March 2011:				
Revenue	8,032	17,198	-	25,230
Segment expense	(7,608)	(16,233)	(537)	(24,378)
Amortisation and share based payment expense	(11)	(68)	(167)	(246)
Operating profit/(loss)	413	897	(704)	606
Interest expense	(13)	(27)	(8)	(48)
Profit/(loss) before tax	400	870	(712)	558
As at 31 March 2011:				
Assets	4,278	10,858	1,018	16,154
Liabilities	(2,787)	(5,391)	(819)	(8,997)
Net assets	1,491	5,467	199	7,157

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

6 Earnings per share

The calculation of earnings per share for the period ended 31 March 2012 is based on a weighted average number of ordinary shares in issue during the period of:

	Basic	Dilutive effect of share options and shares to be issued	Diluted
31 March 2012 (unaudited)	**121,175,954**	**4,400,000**	**125,575,954**
31 March 2011 (unaudited)	118,191,760	2,919,936	120,911,696
30 September 2011	119,393,613	4,400,000	123,793,613

The above number of shares are used in all of the earnings per share calculations below.

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

	Six months ended 31 March 2012 (unaudited) £'000	Six months ended 31 March 2011 (unaudited) £'000	Year ended 30 September 2011 (audited) £'000
Profit used for basic and diluted calculation	**3**	558	1,253
Share based payments and amortisation	**98**	246	428
Profit before share based payments and amortisation	**101**	804	1,681
	Pence	Pence	Pence
Basic earnings per share	**0.00**	0.47	1.05
Share based payments and amortisation	**0.08**	0.21	0.36
Basic earnings per share before share based payments and amortisation	**0.08**	0.68	1.41
Diluted earnings per share	**0.00**	0.46	1.01
Share based payments and amortisation	**0.08**	0.20	0.36
Diluted earnings per share before share based payments and amortisation	**0.08**	0.66	1.36

7 Other financial liabilities and provisions

	31 March 2012 (unaudited) £'000	31 March 2011 (unaudited) £'000	30 September 2011 (audited) £'000
Invoice discounting facilities	**3,108**	2,994	3,145
Obligations under finance leases	**1**	5	1
Provisions	**99**	847	99
	3,208	3,846	3,245

8 Share capital

	31 March 2012 Number '000 (unaudited)	31 March 2012 £'000 (unaudited)	31 March 2011 Number '000 (unaudited)	31 March 2011 £'000 (unaudited)	30 September 2011 Number '000 (audited)	30 September 2011 £'000 (audited)
Allotted, issued and fully paid:						
Ordinary shares of 1p each	**125,575**	**1,256**	122,591	1,226	125,575	1,256
Deferred shares of 9p each	**-**	**-**	48,120	4,331	-	-
	125,575	**1,256**	170,711	5,557	125,575	1,256

The deferred shares held no dividend rights except in the event of a winding up of the Company when the holders were entitled to the amount paid up on each share after repayment of the capital paid up on the ordinary shares and the repayment of £10,000,000 per ordinary share. On 15 April 2011, court approval was obtained to cancel and extinguish the deferred shares by way of a capital reduction.

In May 2011, as part of the acquisition of the remaining 20% of the issued share capital of one of its subsidiary companies, the Company issued 2,984,194 ordinary shares of 1p each at 8.25p each.

SERVOCA Plc

Notes forming part of the financial information

For the six months ended 31 March 2012

9 Cash and cash equivalents

	31 March 2012 £'000 (unaudited)	31 March 2011 £'000 (unaudited)	30 September 2011 £'000 (audited)
Cash at bank	**241**	423	366
Invoice discounting facility	**(3,108)**	(2,994)	(3,145)
	(2,867)	(2,571)	(2,779)

10 Net debt

	31 March 2012 £'000 (unaudited)	31 March 2011 £'000 (unaudited)	30 September 2011 £'000 (audited)
Cash and cash equivalents	**(2,867)**	(2,571)	(2,779)
Finance lease obligations	**(1)**	(5)	(1)
	(2,868)	(2,576)	(2,780)