

SERVOCA Plc
(“Servoca” or the “Group”)
Specialist Outsourcing and Recruitment Solutions Provider

Unaudited Interim Results
for the six months ended 31 March 2014

Highlights

- Revenue £22.39m (H1 2013: £21.47m)
- Gross profit £6.28m (H1 2013: £5.80m)
- Profit before taxation* up 86% to £0.41m (H1 2013: £0.22m)
- Strong growth in recruitment operations with Education businesses continuing to perform particularly well
- Significant improvement in the performance of our Nursing businesses
- Net Debt £2.91m (March 2013: £2.92m, September 2013: £3.07m)
- Basic EPS of 0.28p before share based payment and amortisation charges (H1 2013: 0.14p)

* *excluding share based payments and amortisation*

Andy Church, CEO, commented:-

“We are pleased with a strong start to the year with a clear focus on profitability. The transformation in the performance of the Group established in the prior year has continued in the first half of this year and momentum remains positive.

Our Education and Nursing recruitment operations are performing well and carry good momentum into the second half of the year. Full year profitability is expected to significantly benefit from the pivotal September period for our Education businesses.

There has been a positive change to market conditions over the last year and our business has a strong platform for future growth.”

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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”

Unaudited Interim Results
SERVOCA Plc
Interim Statement
For the six months ended 31 March 2014

Introduction

For the six months ended 31 March 2014 we are pleased to report continued improvement in the performance of the Group with revenue, gross profit and profit before tax all increased over the same period last year.

As indicated in our statement for the year ended 30 September 2013, last year saw a transformation in the profitability of the Group and our performance over the first half of this year has shown further improvement.

Growth has been led by our recruitment operations where our Education businesses continue to perform particularly well and have made the most impact on progress. We have also seen a significant improvement in the performance of our Nursing businesses.

Increased revenue and gross profit has helped profit before tax to broadly double over the same period last year.

Financial review

During the six months to 31 March 2014, revenues were £22.39m (H1 2013: £21.47m), an increase of 4.3%, which resulted in a gross profit of £6.28m (£5.80m in the six months to 31 March 2013), an increase of 8.5%.

Administrative expenses (before amortisation and share based payments) for the current period were £5.84m (H1 2013: £5.54m), an increase of 5.4%.

The profit before tax, (excluding share based payments and amortisation) increased to £0.41m (H1 2013: £0.22m), an increase of 86%.

Basic earnings per share for the period to 31 March 2014 were 0.28p (H1 2013: 0.14p).

Net debt at 31 March 2014 was £2.91m (March 2013: £2.92m).

Operational highlights

Strategy and delivery

The focus in the period has remained on the development of the Group's capabilities in those areas that the Board believes will afford good growth opportunities.

Outsourcing

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

In our statement for the year ended 30 September 2013 we reported that in our **Domiciliary Care** business, revenues and gross profits had stabilised and profitability was much improved from the prior year. We are pleased that this progress has continued and profitability during the first half of this year was improved over the same period last year.

Our **Security** business has seen a reduction to its revenues and profitability over the same period last year because the Manned Guarding sector continues to experience gross margin pressures. However, our strategy is to build Electronic Security and Event Security offerings which have strong gross margins and the second half will see the benefits of a significant volume of work at the Commonwealth Games which commence in July.

Unaudited Interim Results
SERVOCA Plc
Interim statement (continued)
For the six months ended 31 March 2014

Recruitment

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

Our **Education** businesses continued to build upon the momentum established during the prior financial year to deliver another strong performance in the first half of this year. Revenue, gross profit and operating profit were all significantly higher than the six months ended 31 March 2013. We continued to invest in increasing sales headcount and improving internal capabilities, including strengthening the senior management team.

As reported in our statement for the year ended 30 September 2013, our **Healthcare** businesses saw a material improvement in profitability following previous action to reduce overheads. We also reported that there were encouraging signs of improvement in performance in the second half of last year and we are pleased to confirm that this has accelerated during the first half of this year. Performance is significantly improved in our Nursing businesses and this is reflected in a strong increase in profitability across all measures.

Our **Police** business delivered another solid performance with revenues and operating profit improved over the same period in the prior year though the business has experienced increased margin pressure.

Outlook

The transformation in the performance of the Group established in the prior year has continued in the first half of this year and momentum remains positive looking ahead.

Our Education and Nursing recruitment operations have benefited from improved market conditions and are performing well and carry good momentum into the second half of the year. Full year profitability is expected to significantly benefit from the pivotal September period for our Education businesses.

The Board remains confident in its expectations for the full year.

Bob Morton
Chairman
4 June 2014

Andrew Church
Chief Executive Officer
4 June 2014

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of comprehensive income
For the six months ended 31 March 2014

	Note	Six months ended 31 March 2014 (unaudited)			Six months ended 31 March 2013 (unaudited)			Year ended 30 September 2013 (audited)		
		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		22,385	-	22,385	21,472	-	21,472	43,058	-	43,058
Cost of sales		(16,101)	-	(16,101)	(15,676)	-	(15,676)	(30,803)	-	(30,803)
Gross profit		6,284	-	6,284	5,796	-	5,796	12,255	-	12,255
Administrative expenses		(5,836)	(73)	(5,909)	(5,539)	(72)	(5,611)	(11,373)	(137)	(11,510)
Operating profit		448	(73)	375	257	(72)	185	882	(137)	745
Finance costs		(38)	-	(38)	(34)	-	(34)	(73)	-	(73)
Profit before taxation		410	(73)	337	223	(72)	151	809	(137)	672
Tax charge		(58)	-	(58)	(44)	-	(44)	(100)	-	(100)
Total comprehensive income for the period, net of tax, attributable to equity holders of the parent		352	(73)	279	179	(72)	107	709	(137)	572
Earnings per share:		Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
- Basic	6	0.28	(0.06)	0.22	0.14	(0.06)	0.08	0.56	(0.11)	0.45
- Diluted	6	0.28	(0.06)	0.22	0.14	(0.06)	0.08	0.56	(0.11)	0.45

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of financial position
At 31 March 2014

Note	31 March 2014 (unaudited) £'000	31 March 2013 (unaudited) £'000	30 September 2013 (audited) £'000
Assets			
Non-current assets			
Intangible assets	6,713	6,765	6,739
Property, plant and equipment	667	342	603
Deferred tax asset	162	276	220
Total non-current assets	7,542	7,383	7,562
Current assets			
Trade and other receivables	7,791	7,046	7,698
Inventories	105	94	93
Cash and cash equivalents	136	156	177
Total current assets	8,032	7,296	7,968
Total assets	15,574	14,679	15,530
Liabilities			
Current liabilities			
Trade and other payables	(3,746)	(3,627)	(3,819)
Other financial liabilities and provisions	(3,060)	(3,102)	(3,257)
Total liabilities	(6,806)	(6,729)	(7,076)
Total net assets	8,768	7,950	8,454
Capital and reserves attributable to equity holders of the parent			
Called up share capital	8 1,256	1,256	1,256
Share premium account	202	202	202
Merger reserve	2,772	2,772	2,772
Reverse acquisition reserve	(12,268)	(12,268)	(12,268)
Retained earnings	16,806	15,988	16,492
	8,768	7,950	8,454

Unaudited Interim Results

SERVOCA Plc

Consolidated statement of changes in equity

For the six months ended 31 March 2014

Unaudited	Share capital £'000	Share premium £'000	Merger reserve £'000	Reverse acquisition reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 October 2012	1,256	202	2,772	(12,268)	15,835	7,797
Changes in equity for the period ended 31 March 2013						
Profit for the period	-	-	-	-	107	107
Total comprehensive income for the period	-	-	-	-	107	107
Share based payment transactions	-	-	-	-	46	46
Balance as at 31 March 2013	1,256	202	2,772	(12,268)	15,988	7,950
Changes in equity for the period ended 30 September 2013						
Profit for the period	-	-	-	-	465	465
Total comprehensive income for the period	-	-	-	-	465	465
Share based payment transactions	-	-	-	-	39	39
Balance as at 30 September 2013	1,256	202	2,772	(12,268)	16,492	8,454
Changes in equity for the period ended 31 March 2014						
Profit for the period	-	-	-	-	279	279
Total comprehensive income for the period	-	-	-	-	279	279
Share based payment transactions	-	-	-	-	47	47
Purchase of Treasury shares	-	-	-	-	(12)	(12)
	-	-	-	-	35	35
Balance as at 31 March 2014	1,256	202	2,772	(12,268)	16,806	8,768

Unaudited Interim Results
SERVOCA Plc
Consolidated statement of cash flows
For the six months ended 31 March 2014

Note	Six months ended 31 March 2014 (unaudited) £'000	Six months ended 31 March 2013 (unaudited) £'000	Year ended 30 September 2013 (audited) £'000
Operating activities			
Profit before tax	337	151	672
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	112	111	216
Share based payments	47	46	85
Finance costs	38	34	73
Gain on sale of property, plant and equipment	-	-	(2)
Movement in provisions	-	(1)	(14)
Increase in inventories	(12)	(52)	(51)
(Increase)/decrease in trade and other receivables	(93)	220	(433)
(Decrease)/increase in trade and other payables	(73)	(59)	134
Cash generated from operations	356	450	680
Corporation tax paid	-	-	-
Cash flows from operating activities	356	450	680
Investing activities			
Purchase of property, plant and equipment	(150)	(63)	(409)
Proceeds of sale of property, plant and equipment	-	-	8
Net cash flows used in investing activities	(150)	(63)	(401)
Cash flows from financing activities			
Interest paid	(38)	(34)	(73)
Purchase of shares held in treasury	(12)	-	-
Net cash flows used in financing activities	(50)	(34)	(73)
Increase in cash and cash equivalents	156	353	206
Cash and cash equivalents at the beginning of the period	(3,067)	(3,273)	(3,273)
Cash and cash equivalents at the end of the period	(2,911)	(2,920)	(3,067)

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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 2014. The comparative interim results are those for the six months ended 31 March 2013. The comparative year end's results are for the year ended 30 September 2013.

2 Going concern

The directors have prepared trading and cash flow forecasts for the period to 30 September 2015 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 2014 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the periods ended 31 March 2014 and 31 March 2013 are unaudited. The comparative figures for the year ended 30 September 2013 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 2013 and no new standards or interpretations that have come into 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, Education and Police sectors.

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated ¹ £'000	Total £'000
For the six months ended 31 March 2014:				
Revenue	7,050	15,335	-	22,385
Segment expense	(6,960)	(14,510)	(467)	(21,937)
Amortisation and share based payment expense	(27)	(29)	(17)	(73)
Operating profit/(loss)	63	796	(484)	375
Interest expense	(15)	(23)	-	(38)
Profit/(loss) before tax	48	773	(484)	337
As at 31 March 2014:				
Assets	4,129	10,628	817	15,574
Liabilities	(2,170)	(4,238)	(398)	(6,806)
Net assets	1,959	6,390	419	8,768

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

SERVOCA Plc**Notes forming part of the financial information**

For the six months ended 31 March 2014

5 Segmental information (continued)

Unaudited	Outsourcing £'000	Recruitment £'000	Unallocated, £'000	Total £'000
For the six months ended 31 March 2013:				
Revenue	8,078	13,394	-	21,472
Segment expense	(7,895)	(12,963)	(357)	(21,215)
Amortisation and share based payment expense	(31)	(32)	(9)	(72)
Operating profit/(loss)	152	399	(366)	185
Interest expense	(14)	(20)	-	(34)
Profit/(loss) before tax	138	379	(366)	151
As at 31 March 2013:				
Assets	4,074	9,961	644	14,679
Liabilities	(2,501)	(3,851)	(377)	(6,729)
Net assets	1,573	6,110	267	7,950
	Outsourcing £'000	Recruitment £'000	Unallocated, £'000	Total £'000
For the year ended 30 September 2013:				
Revenue	15,797	27,261	-	43,058
Segment expense	(15,620)	(25,633)	(923)	(42,176)
Amortisation and share based payment expense	(57)	(55)	(25)	(137)
Operating profit/(loss)	120	1,573	(948)	745
Finance costs	(31)	(42)	-	(73)
Profit/(loss) before tax	89	1,531	(948)	672
As at 30 September 2013:				
Assets	4,495	10,482	553	15,530
Liabilities	(2,196)	(4,593)	(287)	(7,076)
Net assets	2,299	5,889	266	8,454

6 Earnings per share

The calculation of earnings per share for the period ended 31 March 2014 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 2014 (unaudited)	125,545,638	189,593	125,735,231
31 March 2013 (unaudited)	125,575,954	41,555	125,617,509
30 September 2013	125,575,954	195,809	125,771,763

The above number of shares is 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 2014 (unaudited) £'000	Six months ended 31 March 2013 (unaudited) £'000	Year ended 30 September 2013 (audited) £'000
Profit used for basic and diluted calculation	279	107	572
Share based payments and amortisation	73	72	137
Profit before share based payments and amortisation	352	179	709
	Pence	Pence	Pence
Basic earnings per share	0.22	0.08	0.45
Share based payments and amortisation	0.06	0.06	0.11
Basic earnings per share before share based payments and amortisation	0.28	0.14	0.56
Diluted earnings per share	0.22	0.08	0.45
Share based payments and amortisation	0.06	0.06	0.11
Diluted earnings per share before share based payments and amortisation	0.28	0.14	0.56

7 Other financial liabilities and provisions

	31 March 2014 (unaudited) £'000	31 March 2013 (unaudited) £'000	30 September 2013 (audited) £'000
Invoice discounting facilities	3,047	3,076	3,244
Provisions	13	26	13
	3,060	3,102	3,257

8 Share capital

	31 March 2014 Number '000 (unaudited)	31 March 2014 £'000 (unaudited)	31 March 2013 Number '000 (unaudited)	31 March 2013 £'000 (unaudited)	30 September 2013 Number '000 (audited)	30 September 2013 £'000 (audited)
Allotted, issued and fully paid:						
Ordinary shares of 1p each	125,575	1,256	125,575	1,256	125,575	1,256

The Company acquired 150,613 of its own shares in the period. The total amount paid to acquire the shares, net of income tax, was £12,412 and has been deducted from retained earnings within shareholders' equity. The shares are held as 'treasury shares'. The company has the right to re-issue these shares at a later date.

9 Cash and cash equivalents

	31 March 2014 £'000 (unaudited)	31 March 2013 £'000 (unaudited)	30 September 2013 £'000 (audited)
Cash at bank	136	156	177
Invoice discounting facility	(3,047)	(3,076)	(3,244)
	(2,911)	(2,920)	(3,067)

10 Net debt

	31 March 2014 £'000 (unaudited)	31 March 2013 £'000 (unaudited)	30 September 2013 £'000 (audited)
Cash and cash equivalents	(2,911)	(2,920)	(3,067)