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A market leader in Australia & the UK

in the supply of high quality workforce solutions to the health and social care industries

HCL
Workforce Solutions

Annual Report and Financial Statements 2012
Company number: 04736913

Our Values

- we do what we say we will do with **integrity**, professionalism and without compromise.
- we ensure **excellence** in everything that we do in order to deliver the highest level of patient care.
- our open, vibrant and **collaborative** culture builds genuine relationships, delivers outstanding customer service and provides a rewarding place to work.
- we create market leading healthcare recruitment solutions by driving **innovation** and expertise to adapt to the needs of our clients, candidates and patients.
- our diverse and talented team continually evaluate everything we do to ensure a flexible, successful, **sustainable** business both today and tomorrow.

These values are now being embedded in our core people processes such as talent acquisition, performance management and management development in addition to core business processes that drive the way we deal with our customers and candidates.

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Chairman's Statement

Introduction

I am pleased to report that, despite a difficult trading environment, HCL made good progress in 2012 and with the backing of its new parent company Angel Acquisitions Limited ("Angel Acquisitions") is now well placed for future growth

In the UK, the business has completed its transition to supplying the NHS through the framework agreements and is ready to establish itself as a key supplier in this market using our HCL Clarity software solution We have also simplified our legal and brand structure to give greater transparency to our customers as we seek to maintain excellent standards in compliance and customer satisfaction

In Australia, a new executive team is in place and they are working hard, in what has been a challenging market since mid 2012, to ensure the business is focussed on its customers and can adapt quickly to changing market needs The Board still considers that there is significant growth potential for this business in the Eastern seaboard states and through expanding its medical locums business nationally, using our well established Nursing Agency customer base

Change of ownership

The offer from Angel Acquisitions to acquire HCL's ordinary shares will close on 5 June 2013 (unless the offer is extended further) Angel Acquisitions already holds over 92% of the Company's share capital.

Angel Acquisitions is owned jointly by Toscafund and Ares, who have been significant shareholders in HCL for some time Both Toscafund and Ares support the strategy that the Company is following and, although they have appointed Non-executive Directors to the Board, no significant change in strategy is planned

Following the success of the offer, HCL's ordinary shares have been de-listed from the Alternative Investment Market of the London Stock Exchange

Refinancing

Following the change of ownership and de-listing, the Company has received £5m of funding from Angel Acquisitions and can draw down up to a further £5m when required, to support its growth strategy The Company has also negotiated new terms with its banks which include a reduction in the principal repayments due in 2013 and 2014, an extension of the term of the facility to April 2015 and amendments to the financial covenant tests The new arrangements with the banks also allow Angel Acquisitions to provide additional funds to cure up to two covenant breaches

With these additional funds and with the ongoing support of Angel Acquisitions and the Company's banks, the Group is well positioned to implement its plans for growth

Group results for the year ended 30 December 2012

The Group reported revenue for the year of £196 8m (2011 £227.1m) and an adjusted loss from continuing operations, before highlighted items and share-based payments charges or credits, of £7 8m (2011 £1 6m). The adjusted EBITDA for the year was a loss of £1 4m (2011 profit £5 1m) The reported loss from continuing operations was £44 4m (2011 £10 7m), reflecting a £36 0m impairment of goodwill and intangible assets (2011 £nil) and £0 6m of exceptional operating expenses (2011 £9 6m) These results are analysed in more detail in the Operational and Financial Reviews

In the UK, revenues have decreased as a result of the move to framework supply which has lower margins but the potential of significantly higher volumes This move is in line with the Group's stated strategy of aligning the services delivered by the UK business with the objectives of the NHS to reduce costs and improve the quality of supply. Our objective is to increase our volumes by gaining a larger share of this business The delays in the NHS framework renewals through 2012, however constrained the Group's ability to capitalise on this new position

In Australia revenues also decreased in 2012 due to a reduction in demand in both the private and public sectors as the macro economy deteriorated This was most pronounced in the second half of the year which historically has been the stronger half The process of replacing the founder of our medical locum business has had a short term impact on the results of that business, however, the Board continues to believe that this business has significant potential to grow as it is rolled out across the other states

The Group had a cash balance at 30 December 2012 of £9 3m (31 December 2011 £14 2m) and net debt of £30 8m (31 December 2011 £26 0m)

Litigation

Details of claims and litigation against the Company are described in Note 27 to the financial statements The Company is confident of its position in respect of these claims and no provision has been made in the financial statements for future legal costs or for any settlement or adverse determination arising from this litigation

Going concern

While the Board continues to adopt the going concern basis and Angel Acquisitions has indicated that it is willing to provide additional financial support to the Group if required to cure a breach of its financial covenants or to fund working capital requirements in the foreseeable future, this support is not guaranteed This fact gives rise to a material uncertainty regarding the Group s and Company's ability to continue as a going concern, as discussed in the Going Concern section of the Financial Review

Dividends

The Board has not approved a dividend as the Company has negative distributable reserves Our banking arrangements also prohibit the declaration of dividends without the banks' prior approval

Board changes

Following the announcement of the offer and the de-listing of the Company's shares Andy McRae David Henderson and Mark Andrews have left the HCL Board I would like to thank all of them for their tremendous support over the last two and a half years and wish them all the very best for the future Mark Phillips, Michael Dennis and Daniel Sinclair were appointed to the Board as Non-executive Directors on 3 June 2013, representing Toscafund and Ares

Jason Cartwright has also joined HCL as the new CEO for Australia and will be reporting to the HCL Board Jason has over 22 years experience in the recruitment industry both in sales and general management and I am pleased to welcome him to the executive team

Peter Sullivan
Chairman
4 June 2013

Operational Review

Strategy

The Board's strategy is to grow the business organically with a key focus on cash generation to pay down debt and in time, return cash to shareholders Within each of our geographies our ambition is to be a market leader working closely with local Health Authorities and private healthcare providers to deliver quality workforce solutions and help them achieve their own objectives of delivering world class healthcare services

Although the split of the operations in the UK and Australia is different, there are common themes in the execution of the overall strategy

UK

Customer Relationship Management

During 2012, HCL fully aligned its service delivery to the NHS through the framework agreements, however the tender process for the key Government Procurement Service (GPS) frameworks has been subject to significant delays continuing past the close of 2012 and into 2013 A newly implemented framework agreement acts as a reference point for Trusts to review their locum supply arrangements and, particularly as the new GPS Medical Locum and Allied Health Professional framework contracts will be for the first time Master Vendor supply, these delays had a significant impact on our 2012 growth plans

HCL's Master Vendor solution delivered through HCL Clarity is leading edge and delivers the management control and transparency that Trusts are seeking We believe that HCL is well placed to secure positions on the key frameworks when they are announced and to win contracts through the subsequent Trust-level procurement processes As the Master Vendor, HCL will be responsible for the total supply into the Trust, using both its own candidates and where required co-ordinating the supply from others Using the HCL Clarity software HCL can ensure that this is an efficient process and provide the Trusts with the key management information they require

Managed Services – HCL Clarity

Working with our technology partner, Skillstream, we are developing workforce modules for e-Rostering and Bank Management, ready for release mid 2013, to complement our Vendor Management module. Trusts will be able to implement whichever workforce module they require and add further modules as needed in the knowledge that their Workforce Partner provides a fully integrated solution from e-rostering through to agency management

During 2013 several framework contracts will be tendered which will provide the procurement platform from which HCL Clarity will be able to deliver these solutions into NHS Trusts.

During the last quarter of 2012, HCL Clarity signed a contract with Worcester Hospitals NHS Trust to implement a Managed Solutions pilot, providing us with an excellent reference site to demonstrate the savings our solutions can deliver when used to manage the workforce and agency spend more effectively

Organic Growth and Operational Improvement

Our brand rationalisation plan to align our locum supply businesses with the HCL brand was successfully completed during 2012 and we enter 2013 with a simpler and more transparent legal and organisational structure

The implementation of the IT front office and compliance system proceeded to plan however the Nursing division did experience some disruption during the implementation which impacted its H1 momentum and its H2 results The full UK roll out will be completed during 2013 although slightly later in the year than originally planned Integration of the front office system with the back office will also take place in 2013

Common systems are essential to our organic growth strategy and the business has done well to digest the degree of change experienced through 2012. During 2013 we expect to be able to generate efficiencies through the standardisation of processes and to complete the transition to a scalable business model

Australia

Customer Relationship Management

With 80% of hospital facilities and beds located in the Eastern seaboard states of New South Wales Victoria and Queensland our Australian business continues to pursue an organic growth strategy in those states Our focus on quality and clinical governance has received much positive feedback from both private and public sector customers and we believe that this has enabled us to increase our market share in the Nursing Agency public sector market despite the significant drop in overall demand.

We have successfully maintained our position on two contracts which re-tendered during 2012 namely Queensland Health and Healthscope and secured our first national Aged Care contract with Domain Principal However HCA was unsuccessful in renewing its contract with the Department of Defence We expect the contract with the Department of Health in South Australia to be put out to tender later this year This is a significant existing contract for the business

Managed Services

We have continued to market HCA Clarity to customers in the public and private sector however a combination of budget cuts internal management changes and economic uncertainty has meant that progress has been slow There is, however, a clear need in the market for a technology solution, like HCA Clarity, to help drive efficiencies in managing an agency workforce and optimising the use of substantive staff

Organic Growth and Operational Improvement

As the market tightened through 2012, we undertook a detailed review of our business model to see what improvements could be made in order to support growth and drive cost efficiencies As a result, we re-structured the business into specialist service lines working closely with their own customers to service their particular needs. We also introduced sales commissions for our consultants to ensure they are clearly focussed on delivering gross profit and extended the hours of our locally based call centres across the business.

The business has also introduced technology to give it a competitive advantage in Western Australia by building a technology "bridge" connecting it directly to the software operated by the main Master Vendor in that state and has implemented Sharepoint technology internally to drive internal efficiencies

Trading Performance

Group

The Group reported revenue for the year of £196.8m (2011 £227.1m) and the adjusted EBITDA for the year was a loss of £1 4m (2011 profit £5 1m) These results are analysed by country below

The reported loss from continuing operations was £44 4m (2011 £10 7m) after impairment of goodwill and intangible assets and exceptional operating expenses

UK

The table below summarises the trading performance in the UK over the last two years as the business has moved to become a framework supplier to the NHS, accepting lower margins in return for the potential of significantly higher volumes

	2011 H1 £'m	2011 H2 £'m	2012 H1 £'m	2012 H2 £'m	2011 FY £'m	2012 FY £'m
Revenue	60 0	50 3	45 2	42 1	110 3	**87.3**
Gross Profit	14.7	11 3	10 0	8 8	26 0	**18.8**
Gross Profit %	*24 5%*	*22 5%*	*22 1%*	*20 9%*	*23 6%*	***21.5%***
Divisional costs	(7 9)	(6 6)	(5 6)	(5 6)	(14 5)	**(11.2)**
Central costs (excluding depreciation, amortisation and share based payments or credits)	(6 6)	(7 7)	(6 6)	(5 9)	(14 3)	**(12.5)**
Adjusted EBITDA - UK	0 2	(3 0)	(2 2)	(2 7)	(2 8)	**(4.9)**

Although revenues and gross profits have reduced as the UK business has gone through this transitional period, operating costs have also been reduced As a result, the six monthly adjusted EBITDA has not deteriorated from the H2 2011 level despite the reducing margins Once the NHS framework renewal program, which has been delayed from 2012, is completed it is expected that significant new market opportunities should open up for the UK business

An analysis of these results by division is given below Controllable contribution represents the gross profit of each division less its direct operating expenses

Locum Doctors

% of UK Gross Profit in 2012 18%

	2011 H1 £m	2011 H2 £m	2012 H1 £m	2012 H2 £m
Revenue	13 7	11 8	12 0	12 9
Gross Profit	2 1	1 6	1 7	1 6
Gross Profit %	*15 3%*	*13 6%*	*14 2%*	*12 4%*
Controllable contribution	0 6	0 2	0 6	0 5

The Doctors division has achieved the successful transition to framework supply which accounted for 93% of hours invoiced in 2012 compared with 63% in 2011 The previously reported on-going delay to the re-tendering of the GPS Medical Locums National framework continued to affect the timing of our ability to secure new contracts at a Trust level Despite this the number of hours invoiced in 2012 was 7% higher than in 2011, but the lower margins earned under framework supply means this has not translated to gross profit We believe the division is well placed to grow market share once the new framework contract is in place

Locum Nursing

% of UK Gross Profit in 2012 30%

	2011 H1 £m	2011 H2 £m	2012 H1 £m	2012 H2 £m
Revenue	14 4	10 8	10 1	9 5
Gross Profit	4 0	2 9	3 0	2.6
Gross Profit %	*27 8%*	*26 9%*	*29 7%*	*27 4%*
Controllable contribution	2 8	1.8	1 8	1 2

Our general nursing business in England has performed strongly in 2012, increasing invoiced hours by 19% over 2011 Demand remains strong in this market and we are well placed to expand further However, total Nursing revenues continued to decline as we restructured the division and moved to framework supply Our theatre nursing business, which commands higher margins, showed a decline in invoiced hours of 44% year on year MPS our nursing business in Wales has retained its leading position as the key supplier of nurses and experienced healthcare support workers in Wales

Locum Allied Health Professionals

% of UK Gross Profit in 2012 23%

	2011 H1 £m	2011 H2 £m	2012 H1 £m	2012 H2 £m
Revenue	16 5	14 1	11 1	8 4
Gross Profit	4 7	3 5	2 6	1 8
Gross Profit %	*28 5%*	*24 8%*	*23 4%*	*21 4%*
Controllable contribution	2 8	1 6	1 3	0 5

Following the relocation of the AHP business to London from Essex, we have restructured the organisation and moved our NHS business to framework supply This has reduced our gross margin, as expected The market for Allied Health Professionals is highly fragmented and our NHS clients have yet to exert control to mandate the sole use of framework suppliers 2012 invoiced hours were 34% lower than 2011 Nevertheless we believe our framework position strengthens our ability to generate higher volumes in the longer term

Locum Qualified Social Workers
% of UK Gross Profit in 2012 20%

	2011 H1	2011 H2	2012 H1	2012 H2
	£m	£m	£m	£m
Revenue	14 2	12 3	11 2	10 4
Gross Profit	2.5	2.1	1 9	1 9
Gross Profit %	*17 6%*	*17 1%*	*17 0%*	*18 3%*
Controllable contribution	0 4	1 0	0 8	0 9

The market for social workers has remained difficult, with Local Authorities under severe budget pressure and margins continuing to be squeezed There are, however, signs that margins have reached their nadir We have further refined our operating model in this division to align it with the market we now face Invoiced hours fell by 12% compared to 2011

Permanent Placements
% of UK Gross Profit in 2012 9%

	2011 H1	2011 H2	2012 H1	2012 H2
	£m	£m	£m	£m
Revenue	1 4	1 2	0 8	0 9
Gross Profit	1 4	1 2	0 8	0 9
Gross Profit %	*100 0%*	*100 0%*	*100 0%*	*100 0%*
Controllable contribution	0 2	0 1	(0 1)	0 1

The Permanent division has been refocused on Medical and Nursing vacancies within the UK

Australia

The table below summarises the trading performance in Australia over the last two years This excludes the results of the Homecare Division which was sold in July 2011

The results for H2 2011 in the table below have been revised to correct for a £0 8m misclassification between depreciation and administrative expense in the table included in the Operational Review section of the Annual Report and Financial Statements for the year ended 31 December 2011

	2011 H1	2011 H2	2012 H1	2012 H2	2011 FY	**2012 FY**
	£'m	£'m	£'m	£'m	£'m	**£'m**
Revenue	56 8	60 0	55 9	53 6	116 8	**109.5**
Gross profit	11 6	12 1	10 7	10 2	23 7	**20.9**
Gross Profit %	*20 4%*	*20 2%*	*19 1%*	*19 0%*	*20 3%*	***19.1%***
Operating expenses (excluding depreciation and amortisation)	(8 1)	(7 7)	(9 3)	(8 1)	(15 8)	**(17 4)**
Adjusted EBITDA - Australia	3 5	4 4	1 4	2 1	7 9	**3.5**

The Australian business traded in line with plans during the first quarter of 2012, but then experienced a significant slow down in demand from clients in both the public and private sectors from May 2012 onwards, with the challenging market conditions continuing into the current year

The business was also unsuccessful in renewing its contract with the Department of Defence which has negatively impacted revenues and profitability in South Australia and in the Northern Territory

A change in Federal Government funding has resulted in more challenging markets for the provision of health and care staff to the residential aged care sector and pressure to reduce prices has been significant and continues This impact has been most notable in our business in South Australia which had successfully built its aged care business as revenue from the public sector, acute market reduced

As a result of reduced levels of activity, a number of headcount reductions were implemented during 2012, both in the Nursing Agency and in corporate shared services

Nursing Agency
% of Australia Gross Profit in 2012 88%

The slow down in demand experienced during H1 2012 in both the public and private sectors has continued, driven partly by the less favourable macroeconomic situation in Australia together with significant cuts to public sector budgets implemented by new Liberal Governments Our Queensland business has been impacted most by the significant budget cuts and general uncertainty and whilst we have grown our share of the Health market in that state, revenues and profitability are down

In Victoria, notwithstanding the more challenging market conditions our new service line structure and an increased focus on rebuilding our share of the public sector market has shown good progress and we have received very favourable client feedback

We have strengthened our management in New South Wales and we are hopeful that this will accelerate our ability to grow our market share in the one market in Australia that does not operate a panel of approved suppliers

Our business in South Australia has suffered from a continued reduction in demand from the public sector and since the last quarter of 2012, from much more difficult market conditions within our aged care business, in which clients are seeking significant price reductions and also becoming more proactive in reducing their use of agency staffing

During 2012 we started the development of a technology solution to drive growth initially in Western Australia, and later in other States and Territories across Australia The early signs as this is being trialled in Western Australia are very encouraging

We successfully renewed our preferred supplier contracts with clients in both the public and private sectors and also secured our first national, preferred supply contract in the aged care sector and have successfully renegotiated other onerous contracts and now enjoy better commercial terms

Locum Doctors
% of Australia Gross Profit in 2012, 9%

Whilst the new management team have improved the structure and commercial focus of the business and have started the process of building critical mass in Victoria, the business has suffered from its historic reliance on the New South Wales market, where there has been a significant down turn in demand and a requirement from clients for significant margin cuts

Aside from introducing a more commercially focussed structure, we are also seeking to focus on those areas of the market offering less competition and higher margin opportunities Progress to date has been slow however

Permanent Nurse Recruitment
% of Australia Gross Profit in 2012 3%

The business continues to trade in line with our expectations, although budget cuts within the public health sector have slowed down the speed with which overseas candidates are able to secure positions in Australia

The permanent recruitment business is now fully integrated within the national nursing agency structure to ensure operational efficiency

Stephen Burke
Chief Executive Officer

4 June 2013

People

The five cornerstones of our People Plan continue to evolve and become embedded supporting the business as it transforms and develops propositions to meet our client needs

1 Develop and embed our Corporate Values

During 2012, we proactively engaged our colleagues in both UK and Australia to co-create a set of shared corporate values which are shaping our culture

Our values are defining the characteristics and behaviours that guide the way we work with our customers our colleagues, our suppliers and other stakeholders - making HCL a great place to work

Our Values

- we do what we say we will do with **integrity** professionalism and without compromise
- we ensure **excellence** in everything that we do in order to deliver the highest level of patient care
- our open, vibrant and **collaborative** culture builds genuine relationships, delivers outstanding customer service and provides a rewarding place to work
- we create market leading healthcare recruitment solutions by driving **innovation** and expertise to adapt to the needs of our clients candidates and patients
- our diverse and talented team continually evaluate everything we do to ensure a flexible, successful, **sustainable** business both today and tomorrow.

These values are now being embedded in our core people processes such as talent acquisition, performance management and management development in addition to core business processes that drive the way we deal with our customers and candidates

2. Build a high performance workplace

We launched our performance management approach 'Managing for High Performance' in May 2012 in Australia and the UK to drive a consistent approach across both businesses

This approach ensures our employees are clear on what they are expected to achieve they understand and contribute to the achievement of our strategic goals and targets and develop and apply the skills and competencies to deliver high performance plus support their personal development

For 2013 we will have a tangible linkage to our corporate values, evaluating employees on how they live the values through their behaviours as well as on what they deliver

3. Create a development culture

In 2012, we have specifically invested in our line leader population through development programmes designed to enable them to deliver a high performance culture and lead the business change agenda

For the broader community we have focused on skills that ensure we deliver a consistent and outstanding customer experience.

4. Build employee engagement

We launched our first Employee Engagement survey in November 2012, with an excellent 86% participation rate

Our employees continue to be actively engaged However they are seeking greater clarity around career development and progress within HCL This will provide an area of focus for 2013.

5. Enhance our change management agility

2012 has been a year of improving stability for the business, underpinning this has been the investment in people to support the business transformation

This investment in Business and Corporate Services Functions has taken the form of proactively hiring talented and experienced people into key leadership positions to build bench strength and drive the change agenda.

For our management community we have specifically supported the transformation with development programmes focused on leading and managing change

Financial Review

Introduction

As previously announced, the Group has moved to a rolling 52 week period for financial reporting purposes Consequently the 2012 results reported in these financial statements are for the 52 week period ended 30 December 2012 The 2011 comparatives are for the calendar year ended 31 December 2011

Group Results

The Group results for the year are set out below The Board believes the figure that best illustrates the underlying performance of the business is earnings before interest, tax, depreciation and amortisation and before highlighted operating costs and share scheme credits or charges This figure, defined below as adjusted EBITDA, decreased from a £5 1m profit in 2011 to a £1 4m loss in 2012, reflecting the shift to becoming a framework supplier to the NHS in the UK and a reduction in demand in the Australian market

Continuing operations	2012 £m	2011 £m
Revenue	**196.8**	2271
Cost of Sales	**(1571)**	(1774)
Gross Profit	**39.7**	49 7
Gross Profit %	***20.2%***	*21.9%*
Administrative expenses	**(41.1)**	(44 6)
Adjusted EBITDA	**(1.4)**	5 1
Depreciation of property, plant and equipment	**(0.7)**	(1 0)
Amortisation of intangible assets	**(5.7)**	(5 7)
Adjusted loss from operations	**(7.8)**	(1 6)
Share scheme credits	**-**	0 5
Highlighted items		
Goodwill and intangible assets impairment	**(36.0)**	-
Net exceptional operating expenses	**(0 6)**	(9 6)
Loss from operations	**(44 4)**	(10 7)
Finance expense (net)	**(5.2)**	(2 2)
Loss before tax	**(49.6)**	(12 9)
Taxation	**6.6**	2 6
Loss after tax from continuing operations	**(43.0)**	(10 3)
Profit from discontinued operations, net of tax	**-**	1.4
Loss for the year	**(43.0)**	(8 9)
Basic loss per share from continuing operations	**(5.1)p**	(3 1)p
Adjusted basic loss per share from continuing operations	**(1.2)p**	(3 7)p

The results for the year ended 31 December 2011 have been revised in the table above to correct a £0 8m misclassification between depreciation and administrative expenses in the table included in the Financial Review section of the Annual Report and Financial Statements for the year ended 31 December 2011

The reported loss from continuing operations was £44 4m (2011 £10 7m)

Goodwill and intangible asset impairment

The Group tests goodwill for impairment annually or on other occasions if there are indications of possible impairment Intangible assets, other than goodwill, with finite lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable Following the downturn in trade in the second half of the year and the tightening market conditions in Australia, the Group tested all its goodwill and intangible assets for impairment at the end of 2012. The recoverable amounts were determined from value in use calculations based on cash flow projections from formally approved budgets and forecasts for 2013 - 2015 and estimates for subsequent years More details of the assumptions made in the calculations are given in Note 14 to the financial statements

The impairment tests indicated that the carrying value of the goodwill and intangibles in Australia and the carrying value of the goodwill in the Allied Health Professionals division in the UK exceeded their recoverable amounts and these assets were consequently written down, as shown below

Goodwill	31 December 2011 £m	Impairment £m	Foreign exchange £m	30 December 2012 £m
Allied Health Professionals	8 0	(6.0)	-	2 0
Nursing	11 5	-	-	11 5
Australia - Nursing Agency	16 5	(16.4)	(0.1)	-
Australia - LML	3 8	-	(0 1)	3.7
	39 8	(22.4)	(0.2)	17.2

	31 December 2011 £m	Additions/ (disposals) £m	Amortisation and impairment £m	Foreign exchange £m	30 December 2012 £m
Brands and trademarks	26 3	-	(8.7)	(0 5)	17.1
Customer relationships	18 0	-	(7.0)	(0.3)	10.7
Candidate database	8 8	-	(3.4)	(0 1)	5.3
Non-compete agreements	0 4	-	(0.1)	-	0.3
Computer software	0 4	0.5	(0.1)	-	0.8
	53 9	0.5	(19.3)	(0.9)	34.2

Net exceptional operating expenses

Net exceptional operating expenses comprise

Continuing operations	2012 £m	2011 £m
Exceptional operating income/(expense)		
Reorganisation and refinancing costs		
Restructuring costs	-	(1 8)
Refinancing additional costs	-	(0 7)
Australia - integration costs	-	(0 6)
Onerous leases	-	(0 7)
	-	(3 8)
Gain / (loss) on fair value changes in contingent and deferred consideration (Note 17)	0.1	(2 9)
Investigation and resolution of accounting irregularities and legal costs arising from historic accounting irregularities	(0.7)	(2 9)
Net exceptional operating expenses	(0.6)	(9 6)

The exceptional operating expenses in 2012 relate primarily to legal fees incurred defending the claims described in Note 27 to the financial statements

Finance expense (net)

The net interest expense for the year of £5 2m (2011 £2.2m) included, inter alia £3 7m of interest on bank loans and overdrafts (2011 £12 4m), £0 7m amortisation of fees (2011 £1 0m) and £0 4m of imputed interest on Zero Coupon Loan Notes (2011 £0 1m)

The net interest expense for 2011 also included net exceptional finance income of £11 1m

Taxation

The tax benefit from continuing operations for 2012 is a credit of £6 6m (2011 £2 6m) comprising prior year UK corporation tax credit of £0 8m and a deferred tax credit of £5 8m, including £4 1m in respect of the impairment of intangible assets in Australia

Cash flow

The following table reconciles the loss for the year with the cash flow from operating activities

	2012 £m	2011 £m
Loss for the year	**(43.0)**	(8 9)
Adjustments		
Discontinued operations	-	(1 4)
Loss/(gain) on fair value changes in contingent consideration	**(0.1)**	2 9
Depreciation, amortisation and impairment	**42.7**	7 5
Foreign exchange gain on operating activity	-	(0 4)
Finance expenses (net)	**5.2**	2 2
Share-based payments credits	-	(0 5)
Corporation tax credit	**(6.6)**	(2 6)
Cash flows from operating activities before changes in working capital and provisions	**(1.8)**	(1 2)
Change in working capital and provisions	**0.2**	1 0
Cash generated from operations before tax	**(1.6)**	(0 2)
Corporation tax received / (paid)	**3.8**	(2 5)
Cash flow from operating activities	**2.2**	(2 7)

	2012 £m	2011 £m
Cash flow from operating activities	**2.2**	(2 7)
Investing activities		
Interest received	**0.3**	0 1
Acquisitions of subsidiaries (net of cash acquired)	-	-
Disposal of property, plant and equipment	-	0 4
Disposal of Homecare division	-	20 3
Deferred and contingent consideration paid	**(1.4)**	(2 6)
Acquisition of tangible and intangible assets and finance lease payments	**(2.3)**	(1.6)
Net cash used in investing activities	**(3.4)**	16.6
Financing activities		
Issue of Ordinary Shares	-	56 2
New loans acquired	-	11 5
Loans repaid	-	(59 0)
Interest and similar expenses paid	**(3.7)**	(11 2)
Loan fees	-	(5 5)
Dividends	-	(2 1)
Net cash (used in)/generated from financing activities	**(3.7)**	(10 1)
Effect of exchange rate movements	-	(0 1)
Movement in cash and cash equivalents	**(4.9)**	3 7

Borrowings

The Group s net borrowings at 30 December 2012 are analysed below

	2012 £m	2011 £m
Australian Dollar denominated term loans	**38.5**	39 5
Zero Coupon Loan Notes due 2021 (principal amount £10 2m)	**3 0**	2 6
Unamortised loan fees	**(1.5)**	(2 3)
Obligations under finance leases	**0.1**	0 4
	40.1	40 2
Cash and cash equivalents	**(9 3)**	(14 2)
Net debt	**30.8**	26 0

As detailed below, as part of the refinancing arrangements agreed with the banks the schedule of principal repayments on the term loans has been revised, the term of the facility has been extended to April 2015 and the financial covenant tests have been reset

Refinancing

Before Angel Acquisitions formally announced on 11 April 2013 that it was making an offer to acquire the Company's ordinary shares, the Company, Angel Acquisitions, Angel Acquisitions' owners (Ares Capital Europe Limited, ACE Equity Holdco Cayman Limited and Tosca Opportunity), the Company's banks and the holders of the Company's Zero Coupon Loan Notes 2021 (Ares Lux) entered into various agreements dealing inter alia, with the refinancing of the Company Under these agreements, following the successful completion of the offer and the de-listing of the Company s shares from the Alternative Investment Market of the London Stock Exchange on 3 June 2013 the following occurred

- the Company issued £5m of 8% Loan Notes 2021 to Angel Acquisitions in return for £5m cash,
- the terms of the Funding Commitment Letter, under which the Company may draw down up to a further £5m from Angel Acquisitions by issuing further 8% Loan Notes 2021 became effective,
- the agreed amendments to the Senior Facilities Agreement with the banks became effective
- the agreed amendments to the terms of the Zero Coupon Loan Notes 2021 became effective, and
- £5 1m nominal of the Zero Coupon Loan Notes 2021 were replaced with £5 1m of the 8% Loan Notes 2021

The 8% Loan Notes 2021 have a maturity date of 30 September 2021, although may require earlier redemption on a change of control or refinancing They accrue interest at 8% per annum which is to be settled six monthly by the issue of additional 8% Loan Notes 2021 The redemption amount of the loan notes is equal to two times the principal amount The Company may, with the consent of the holders of two thirds of the loan notes, convert all of the outstanding loan notes into preference shares in the Company with a nominal value equal to the redemption amount at that time (subject to the Directors having obtained the appropriate authorities from shareholders to do so)

Under the terms of the Funding Commitment Letter the Company can draw down up to a further £5m from Angel Acquisitions when required by issuing further 8% Loan Notes 2021 The maximum amount that can be requested at a time is £1 5m and requests can be made no sooner than 30 days after the last such request

Under the terms of the amended Senior Facilities Agreement, repayments on the bank term loans have been reduced to A$0 6m per quarter commencing June 2013 and the term of the facility has been extended from 31 January 2015 to 30 April 2015 The covenant tests have also been amended and are now based on minimum EBITDA targets The covenants will be tested first on 31 December 2013 and on a quarterly basis thereafter until 31 December 2014 The amendments to the Senior Facilities Agreement also now allow shareholders in the Company to provide funds to cure a covenant breach (at 1 5 times the EBITDA shortfall) although this can be done no more than twice before the end of the facility term Any such funds may be provided by the shareholders by way of subscription for further 8% Loan Notes 2021

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Chairman's Statement and the Operational Review The financial position and borrowing facilities are described in this Financial Review Principal risks and uncertainties are described on pages 15 to 16

The Group prepares regular business forecasts and monitors its projected cash flow requirements considering known and contingent liabilities (as referred to in Note 27) These forecasts are then flexed to reflect more conservative views on revenues and margins, and take into account management actions which could be taken to contain costs in these circumstances These forecasts are reviewed and approved by the Board The forecasts also take into account the issuance of a further £5m of 8% Loan Notes 2021 to Angel Acquisitions for cash as committed under the Funding Commitment Letter dated 11 April 2013 The Senior Facilities Agreement permits that additional funds can be made available from Angel Acquisitions to cure up to two covenant breaches during the going concern period The Company is in regular dialogue with its bankers and its shareholders about its current and future borrowing needs With new directors appointed to the Board from Toscafund and Ares (the owners of Angel Acquisitions), the Company is confident in the continued support of Angel Acquisitions, its shareholders and the Company's bankers

As described in the Chairman's Statement and the Operational Review, the current economic environment is difficult, particularly in Australia, and the Group has reported a loss for the year With significant improvements made in re-positioning the UK business for growth and a new commercial focus in Australia, the Directors consider that the medium term outlook is positive but still presents some challenges in terms of delivering the sales growth and margins that the forecasts anticipate

The forecasts indicate that an equity cure will be required in order to avoid breaching the new financial covenants in December 2013 and possibly in 2014 Although Angel Acquisitions has indicated in writing that its present intention is to provide additional funds for this purpose if needed, this is not guaranteed

The Directors have concluded that the combination of the circumstances outlined above represents a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern

Nevertheless, after considering the uncertainties described above as well as the mitigating actions available to them and the expressions of support from Angel Acquisitions to provide funds to cure any covenant breaches the Directors have a reasonable expectation that the Company and the Group will have access to adequate resources to continue in operational existence for the foreseeable future For these reasons they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Sue Bygrave
Chief Finance Officer

4 June 2013

Principal Risks and Uncertainties

Risks are reviewed formally by the whole Board during the annual budgeting process and the quarterly re-forecasting exercises completed through the year Day-to-day management of risk is the responsibility of the executive Directors The effectiveness of risk management is monitored by the Board which is provided with an update on the areas identified as the key risk areas at each Board meeting

The principal risks and uncertainties which are currently judged to have the largest potential impact on the Group's financial performance and reputational standing are described below

Risk	Mitigation
Relationships with key customers	
The Group has a number of key customers, particularly the NHS in the UK and the various State and Territory health systems in Australia Customer relations and compliance with the terms of contracts are essential to the Group's performance as the absence of these activities could result in loss of contracts thereby having an adverse effect on profits and cash flow	The Board monitors relationships with key customers regularly The CEO is responsible for maintenance of good relationships with the NHS supported by the divisional managing directors and the UK business development team
In the UK, the majority of the Group's revenue comes from the NHS whose preferred purchasing route is through Framework agreements Qualification under these Framework agreements is essential to the Group's strategy of becoming the Framework provider of choice as is maintaining the high standards of compliance that these Frameworks require	The UK Head of Clinical Governance and Compliance sets strict compliance guidelines for the UK business to ensure adherence to the Framework requirements and monitors performance against these through an internal audit function. The results of these audits are reviewed regularly by the Board
In the UK, the NHS is also exploring new ways of improving the effectiveness of its agency spend It is essential that the Group can deliver innovative solutions to support this strategy in order to maintain its strong position in the market	The Group responds to the needs of the NHS by listening to their issues and offering new solutions, such as HCL Clarity – which delivers efficient management of agency spend and can also be extended to bank management and e-rostering
In Australia, the Group is an approved "Panel" supplier of agency nurses to the public health system in all States and Territories in Australia These contracts may be terminated immediately in the event of a breach or by notice Several agreements with private health providers contain Key Performance Indicator targets with termination rights if targets are not met	The National and Key Account management team together with State and Territory based Client Service Managers monitor performance against these contracts and regularly discuss any performance issues with clients Contracts which impose targets on HCA will normally include obligations on the client such as a limitation on the number of shifts that can be cancelled
Potential impacts from past events, including litigation	
As described in Note 27 a claim by certain US investors has been filed in the State of New York against the Company and certain of its former directors	The Board reviews all material litigation in detail and takes advice from the Group's legal advisors
The outcome of pending litigation is uncertain and an adverse ruling could result in a material loss and a shortage of liquidity for the Group	The Board's policy is only to take or defend legal action when it is highly confident of its position
In December 2011, the Accountancy and Actuarial Disciplinary Board announced an investigation into the conduct of certain former directors	The Group's policy is to co-operate with all regulators including the AADB investigation
Availability of finance	
The Group is dependent on the continuing availability of finance from its banks and new parent company, Angel Acquisitions Limited	The Board regularly monitors it current and forecast cash requirements and discusses these with its debt providers
The Group has given undertakings to the banks, including financial covenants, to which it must adhere Should it fail to meet these undertakings, and the shortfall not be made good by an "equity cure" from its new parent company, the banks could demand early repayments of their loans	Following the de-listing of the Company's shares, Angel Acquisitions has provided the Group with £5m of additional funding and has committed to provide up to a further £5m should the funds be required Angel Acquisitions has also indicated that it is willing to provide additional financial support to the Group if required to cure a breach of its financial covenants or to fund working capital requirements in the foreseeable future, although this support is not guaranteed The Board also regularly monitors current and forecast compliance with its obligations to the banks Senior executives meet representatives of the banks on a regular basis to keep them appraised of the Group's performance and future plans

Risk	Mitigation
IT Systems and Security The Group relies on computer systems to deliver its services to customers Any material disruption to these systems will impact revenues as lost time for locum supplies cannot be replaced In the UK, a new system to manage the candidate database and match candidates to opportunities is being implemented Implementation of any new system carries certain risks, including risk of disruption	The Board mitigates the risks involved in IT systems by the following - review of personnel in the group's IT function, - regular monitoring of progress on the implementation of new IT systems, - regular reviews of IT security strategy and procedures, and - reviews of disaster recovery arrangements at least annually
The Group s IT systems contain valuable information such as the candidate database	The Group is taking steps to enhance information security through the implementation of the new front-office system in the UK
Compliance The Group has obligations under contracts and, in some circumstances, under legislation to supply locums to specified standards of clinical capability and to make checks before locums are placed in roles	In the UK a Head of Clinical Compliance and Governance was appointed in October 2011, who reports to the CFO to ensure independence from operational management
Under some contracts, especially those with the NHS, the compliance requirements are extensive Failure to complete, maintain and refresh those checks could lead to legal, financial and reputational consequences These matters are not able to be insured	The Board receives monthly reports from the Head of Clinical Compliance and Governance, reviews the results of the internal audits and monitors the implementation of corrective measures
Availability of suitably qualified locums The Group has adopted a growth strategy and these growth plans assume that it will be possible to retain and expand a pool of locums of sufficient skills and in the right locations to meet the needs of customers If sufficient locums are not available then the Group's revenue targets will not be met	The marketing departments in the UK and Australia are responsible for campaigns to attract new locums and retain existing locums Divisional managing directors have KPIs related to the size of their locum pools and the proportion that are working at any one time In addition, the Group operates a number of schemes to promote the retention of existing locums
Exchange Rate The Group's operations are principally located in UK and Australia and local revenues and costs are accounted for in Sterling and Australian dollars The reporting currency of the Group is Sterling The Sterling value of the Australian results depends on the exchange rate used to translate the results of overseas operations	The borrower of the Group's bank debt is an Australian subsidiary and the debt is denominated in Australian Dollars The debt is approximately 116% of total Australian Dollar assets before debt denominated in Australian Dollars
The Group s bank debt is denominated in Australian Dollars and the Sterling value will fluctuate with the exchange rate to Sterling Foreign exchange risk is described more fully in Note 23 The Board considers exchange rate translation to be a principal risk because of the relative size of the overseas operations in the Group results and the potential impact of fluctuating exchange rates on Group results	This bank debt gives a partial natural hedge against translation effects on profits and net assets
Other business model risks There are other inherent risks in the business model, such as risks relating to healthcare locum market demand, recruitment and retention of consultants, and the taxation legislation risks associated with self employed staff, VAT and the use of umbrella companies for the supply of agency workers	These risks are managed on a day to day basis by executive management and are a regular part of Board discussions

Report of the Directors

The Directors present their annual report and business review together with the audited financial statements for the 52 weeks ended 30 December 2012

Group Performance

The Consolidated Statement of Comprehensive Income is set out on page 23 and shows the Group loss after tax from continuing operations was £43 0m (2011 loss £10 3m)

Loss from continuing operations before tax was £49 6m (2011 loss £12 9m)

Basic and diluted loss per share from continuing operations was 51p (2011 loss 31p) Using the Board s preferred method, based on adjusted profit, the basic and diluted loss per share from continuing operations was 1 2p (2011 loss 3 7p)

Information about performance is given in the Chairman's Statement, the Operational Review, the Financial Review and the Financial Statements

Principal Activities

The principal activity of the Group and each of the trading subsidiaries is that of providing workforce solutions to the healthcare and social care sectors

The subsidiary undertakings principally affecting the profits or net assets of the Group in the year are listed in Note 38 to the Financial Statements

Principal Risks and Uncertainties

The Board's assessment of the Principal Risks and Uncertainties facing the business is set out on pages 15 to 16

Information on Contingent Liabilities is provided in Note 27 to the Financial Statements

Dividends

No dividends were paid in 2012 and the Directors are not proposing a final dividend for 2012

As disclosed in Note 13 a dividend was paid on 10 January 2011 which was unlawful as the then Board should have known at the date that the dividend was approved and paid that the Company had insufficient reserves available to make the payment

The Board has reserved its right to seek recovery of the dividend paid on 10 January 2011 and also the dividends paid on 1 April and 25 June 2010

No action will be taken to recover unlawful dividends from shareholders in general However, the Board is considering whether it is feasible to pursue former directors to recover unlawful dividends paid to them and damages for breach of duty in authorising those dividends

Share Capital

Details of movements in share capital are set out in Note 25

Rights Attached to Shares

During a show of hands at a general meeting every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote Where there is a poll vote every member present in person or by proxy, shall have one vote for every ordinary share held In accordance with the provisions of the Articles of Association, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes On a return of capital on a winding up holders of ordinary shares are entitled to participate in such a return

Payments to Suppliers

Due to variations within each supplier's terms and conditions of trading, the Group does not follow any formal payment code It does agree terms of payment with suppliers when opening an account, ensuring each supplier is made aware of these terms The Group aims to comply with the payment terms agreed The Group makes payment to the majority of its suppliers, tax authorities and employees electronically via the BACS payments system in order to facilitate a fast effective and secure transmission of payment

Given the nature of its principal activities, the Group s largest supplier type is a temporary worker Such temporary workers supply their services to the Group's customers and clients on a daily basis and the Group remunerates its temporary workforce promptly after submission of approved timesheets Other suppliers are paid according to the agreed terms of trade, normally within 30 days for both the Group and the Company

Charitable and Political Donations

During the year the Group made charitable donations of approximately £3,000 (2011 £22 000)

The Group made no donations for political purposes either in the UK or overseas during the year

Disabled Persons

The Group's and the Company's policy is to consider the applications of disabled workers for those vacancies that they are able to fill All necessary assistance with initial training courses is given Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

Employee Involvement

The Group's policy is to consult and discuss with employees and employee engagement forums on matters likely to affect employees' interests Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance

Directors

The Directors who served during the year and to the date of this report together with the date they were appointed or left the Board and their level of attendance at Board Meetings during 2012 was as follows

Director	Position	Date of appointment (if after 31 December 2011)	Date of leaving	No of Meetings could have attended	No of Meetings attended
Peter Sullivan	Non-executive Chairman	-	-	14	14
Stephen Burke	Chief Executive Officer	-	-	14	14
Sue Bygrave	Chief Finance Officer	6 February 2012	-	13	13
Mark Phillips	Non-executive Director	3 June 2013	-	n/a	n/a
Michael Dennis	Non-executive Director	3 June 2013	-	n/a	n/a
Daniel Sinclair	Non-executive Director	3 June 2013	-	n/a	n/a
Andrew McRae	Managing Director of Healthcare Australia Holdings Pty Ltd	-	16 April 2013	14	14
David Henderson	Non-executive Director	-	3 June 2013	14	14
Mark Andrews	Non-executive Director	-	3 June 2013	14	13
Bill Jessup	Interim Chief Financial Officer	-	19 April 2012	3	3

At the Annual General Meeting ("AGM") held on 23 May 2012 all the Directors were re-elected by shareholders

Appointment and Replacement of Directors

The Company may by ordinary resolution appoint any individual to the Board The Board may appoint any individual willing to act as a Director either to fill a vacancy or act as an additional Director The appointee can only hold office until the next AGM whereupon he or she will be put forward for re-appointment

The Articles of Association (adopted at the 2012 AGM) prescribe that at each AGM all of the Directors must retire and be put forward for reappointment

Directors' Indemnities and Insurance

Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them In addition, Directors of the Company are indemnified in accordance with the Company's Articles of Association, to the maximum extent permitted by law Neither the insurance nor the indemnities provide cover where the relevant Director or Officer has acted fraudulently or dishonestly The US litigation, against the Company and its former directors, as referred to in Note 27, may not be covered under the existing Directors' and Officers liability insurance cover This is because the Plaintiffs arguments revolve around the alleged dishonesty or misleading conduct of former directors None of the current Directors are a party to this claim

Articles of Association

The Board may exercise all the powers of the Company, subject to the provisions of relevant legislation, the Company's Memorandum and Articles of Association and any directions given by a special resolution of the shareholders Specific powers are detailed in the Company's Articles of Association including the power to issue shares, along with the rules for the appointment and removal of Directors

During 2011 and early 2012 the Board noted that the Company's Articles of Association needed to be updated to reflect developments in the law and corporate practice and to have further regard to the nature and size of the Company The Articles of Association may only be amended by a special resolution passed by shareholders at a general meeting Accordingly the Company adopted new Articles of Association following the passing of such a resolution at the 2012 AGM

Related Party Transactions

Details of related party transactions, including transactions with close family members of former directors, are set out in Note 30 to the financial statements

Mark Andrews has advised on many corporate restructurings in his role as a former Partner and he remains a consultant to SNR Denton, a significant supplier of legal services to the Company in 2011 and 2012 The Board (excluding Mark Andrews) considered any potential conflict of interest regarding SNR Denton's related party relationship It was decided that there was no such conflict given that SNR Denton was engaged as a supplier of legal services many months prior to Mark joining the Board However, to avoid any potential conflicts the Board agreed that Mark Andrews would not vote on any resolution regarding the appointment of SNR Denton for any legal services

Conflicts of Interest

Where potential conflicts of interest or duties arise decisions can only be authorised by those Directors who do not have an interest in the matter being considered, and in making such decisions, the Directors must act in a way they consider, in good faith, will most likely promote the success of the Company The Company has established a procedure whereby actual and potential conflicts of interest and duties are advised to the Company Secretary immediately and are reviewed bi-annually In addition conflicts are requested to be identified and addressed as appropriate prior to the commencement of the business of any Board Meeting Appropriate authorisations are sought for any ad hoc notifications of any new conflicts of interest or duties, or any changes to existing conflicts of interest or duties

Disclosure of Audit Information

As required by Section 418 of the Companies Act 2006, each of the Directors confirm that, as at the date this report was approved, so far as each Director is aware there is no relevant information of which the Independent Auditor is unaware and that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the Independent Auditor is aware of that information

Auditor

Deloitte LLP was reappointed as the auditor to the Company and all its subsidiary companies at the 2012 AGM

John Charlton is the Senior Statutory Auditor

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming AGM

Post Balance Sheet Events

Details of post balance sheet events are set out in Note 32 to the financial statements

Cautionary Statement

A Company's Annual Report is required, among other matters, to contain a fair review by the Directors of the Group's business, through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business The Directors' Report, the Chairman's Statement, the Operational Review and the Financial Review have been prepared only for the shareholders of the Company as a whole, and their sole purpose and use is to assist shareholders to exercise their governance rights In particular, the Directors' Report, the Chairman's Statement, the Operational Review and the Financial Review have not been audited or otherwise independently verified The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Annual Report

These Reports and Statements contain indications of likely future developments and other forward looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates These factors include, but are not limited to, those discussed under Principal Risks and Uncertainties

These and other factors could adversely affect the Group's results, strategy and prospects Forward looking statements involve risks, uncertainties and assumptions They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated No obligation is assumed to update any forward looking statements, whether as a result of new information, future events or otherwise

Approved by the Board and signed on its behalf by

Martin Hughes
Company Secretary
4 June 2013

Directors' Responsibilities

Introduction

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the parent Company Financial Statements, the Directors are required to

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

In preparing the Group Financial Statements, International Accounting Standard 1 requires that Directors

- properly select and apply 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Act They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Website Publication

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions

Directors' Responsibility Statement

We confirm that to the best of our knowledge

a) the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and

b) the management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Stephen Burke
Chief Executive Officer

Sue Bygrave
Chief Finance Officer

4 June 2013

Independent Auditor's Report to the Members of Healthcare Locums plc

We have audited the financial statements of Healthcare Locums plc for the 52 week period ended 30 December 2012 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity the Parent Company Balance Sheet and the related notes 1 to 51 The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and 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 auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the 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 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 and 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 In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 December 2012 and of the group's loss for the 52 week period then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Independent Auditor's Report to the Members of Healthcare Locums plc (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements we have considered the adequacy of the disclosure made in Note 3(c) to the financial statements which refers to the Directors' Statement on Going Concern in the Financial Review concerning the Group's and Company's ability to continue as a going concern The Directors' statement describes that there are challenges in terms of delivering the sales growth and margins and that the Company's forecasts indicate that further funds will be required to avoid breaching the new financial covenants during the going concern period and although Angel Acquisitions Limited has indicated that it is willing to provide additional funds for this purpose, this is not guaranteed These conditions indicate the existence of a material uncertainty which may cast doubt about the Group s and Company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern Our opinion is not modified in respect of this matter

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the 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

John Charlton

Senior Statutory Auditor

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London United Kingdom

4 June 2013

Consolidated Statement of Comprehensive Income For the 52 weeks ended 30 December 2012

	Notes	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Revenue	4	**196.8**	227 1
Cost of sales		**(157.1)**	(177 4)
Gross profit	4	**39.7**	49 7
Operating expenses		**(47.5)**	(50 8)
Highlighted items			
Goodwill and intangible assets impairment	14, 15	**(36 0)**	-
Net exceptional operating expenses	7	**(0.6)**	(9 6)
Total operating expenses		**(84.1)**	(60 4)
Loss from operations	8	**(44.4)**	(10 7)
Finance income	9	**0.3**	24 5
Finance expense	9	**(5.5)**	(26 7)
Loss before taxation from continuing operations		**(49.6)**	(12 9)
Tax benefit from continuing operations	10	**6.6**	2 6
Loss for the year from continuing operations		**(43.0)**	(10 3)
Profit for the year from discontinued operations, net of tax	11	**-**	1 4
Loss for the year attributable to the owners of the parent		**(43.0)**	(8 9)
Other comprehensive income:			
Translation adjustment		**0 1**	0 3
Total other comprehensive income		**0.1**	0 3
Total comprehensive loss for the year attributable to the owners of the parent		**(42.9)**	(8 6)
Loss per share attributable to the owners of the parent		Pence	Pence
Basic and diluted – continuing business (pence)	12	**(5.1)**	(3 1)
Adjusted basic and diluted – continuing business (pence)	12	**(1.2)**	(3 7)
Basic and diluted – discontinued business (pence)	12	**-**	0 4

The Notes are an integral part of these Financial Statements

Consolidated Statement of Financial Position
As at 30 December 2012

	Notes	30 December 2012 £m	31 December 2011 £m
ASSETS			
Non-current assets			
Goodwill	14	17.2	39 8
Other intangible assets	15	34 2	53 9
Property plant and equipment	16	2 3	2 0
		53.7	95 7
Current assets			
Trade and other receivables	18	21.8	26 8
Current tax receivable		-	3 0
Cash and cash equivalents		9.3	14 2
		31.1	44 0
Total assets		84.8	139 7
LIABILITIES			
Current liabilities			
Trade and other payables	19	(18.9)	(22 4)
Current portion of long term borrowings	20	(1.3)	(0 9)
Derivative financial instruments	23	(1.7)	(1 7)
Deferred consideration	21	-	(1 5)
Provisions	21	(1.7)	(2 7)
		(23.6)	(29 2)
Non-current liabilities			
Borrowings	20	(38.8)	(39 3)
Deferred tax liability	22	(3.3)	(9 2)
Provisions	21	(2.1)	(2 1)
		(44.2)	(50 6)
Total liabilities		(67.8)	(79 8)
TOTAL NET ASSETS		17.0	59 9
SHARE CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE PARENT			
Share capital	25	84.8	84.8
Share premium reserve	26	55 2	55 2
Share option reserve	26	1.2	1 2
Translation reserve	26	0.2	0 1
Retained earnings	26	(124 4)	(81 4)
TOTAL EQUITY		17 0	59 9

The Notes are an integral part of these Financial Statements

See notes 18 and 19 for an explanation of a reclassification between December 2011 trade debtors and trade creditors

The Financial Statements were approved and authorised for issue by the Board of Directors on 4 June 2013 and were signed on its behalf by

Stephen Burke
Chief Executive Officer

Sue Bygrave
Chief Finance Officer

Consolidated Statement of Cash Flows For the 52 weeks ended 30 December 2012

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Cash flows from operating activities		
Loss for the year	(43 0)	(8 9)
Adjustments for		
Discontinued operation	-	(1 4)
(Gain) / loss on fair value changes in contingent consideration	(0.1)	2 9
Depreciation of property plant and equipment	0.7	1 1
Amortisation of intangible assets	5.7	6 4
Loss on disposal of fixed assets	0 3	-
Foreign exchange gain on operating activity	-	(0 4)
Goodwill impairment	22.4	-
Impairment of other intangible assets	13 6	-
Finance income	(0.3)	(24 5)
Finance expense	5.5	26 7
Share based payments credits	-	(0 5)
Corporation tax credit	(6.6)	(2 6)
Cash flows from operating activities before changes in working capital	(1.8)	(1 2)
Changes in receivables	5.0	5 9
Changes in payables	(4.8)	(4 9)
Cash used in operations	(1.6)	(0 2)
Corporation tax received / (paid)	3.8	(2 5)
Net cash flows from operating activities	2.2	(2 7)
Investing activities		
Interest received	0.3	0 1
Disposal of Homecare division	-	20 3
Disposal of property, plant and equipment	-	0 4
Contingent and deferred consideration paid	(1.4)	(2 6)
Capital element of lease payments	(0.4)	(0 5)
Acquisition of property plant and equipment	(1.2)	(0 7)
Acquisition of intangible assets	(0.7)	(0 4)
Net cash (used in) / received from investing activities	(3.4)	16 6
Financing activities		
Issue of ordinary shares	-	56 2
New loans acquired	-	11 5
Loans repaid	-	(59 0)
Interest and similar expenses paid	(3.7)	(11 2)
Loan fees	-	(5 5)
Dividends paid to the owners of the parent	-	(2 1)
Net cash used in financing activities	(3.7)	(10 1)
Net (decrease) / increase in cash and cash equivalents	(4.9)	3 8
Cash and cash equivalents at the beginning of the year	14.2	10 5
Effect of exchange rates on cash and cash equivalents	-	(0 1)
Cash and cash equivalents at the end of the year	9.3	14 2

See notes 18 and 19 for an explanation of a reclassification between December 2011 trade debtors and trade creditors. The impact on changes in receivables and payables has been corrected above

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Share premium £m	Share option reserve £m	Translation reserve £m	Retained earnings £m	Total £m
Balance at 1 January 2011		11 3	45.3	4 7	(0 2)	(61 2)	(0 1)
Loss for the year		-	-	-	-	(8 9)	(8 9)
Other comprehensive income		-	-	-	0 3	-	0 3
Dividends	13	-	-	-	-	(2 1)	(2 1)
Issue of share capital	25	73 5	9 9	-	-	(2 3)	81 1
Gain on Ares Lux debt for equity swap		-	-	-	-	(9 9)	(9 9)
Warrants lapsed during the year		-	-	(2 7)	-	2 7	-
Amortisation of warrants		-	-	(0 3)	-	0 3	-
Debit in respect of share scheme credits	31	-	-	(0 5)	-	-	(0 5)
Balance at 31 December 2011		**84.8**	**55.2**	**1.2**	**0.1**	**(81.4)**	**59.9**
Loss for the year		-	-	-	-	**(43.0)**	**(43.0)**
Other comprehensive income		-	-	-	**0 1**	-	**0.1**
Balance at 30 December 2012		**84.8**	**55.2**	**1.2**	**0.2**	**(124.4)**	**17.0**

The Notes are an integral part of these Financial Statements

Notes to the Financial Statements

1 GENERAL INFORMATION

Healthcare Locums plc is a Company incorporated in the United Kingdom under the Companies Act 2006 ("the Act") The Company was listed on the Alternative Investment Market ("AIM") of the London Stock Exchange until 3 June 2013 As it is no longer listed certain disclosures required under the Listing Rules of AIM are no longer reported The nature of the Group's operations and its principal activities are set out in the Report of the Directors on page 17 and in the Financial and Operational Reviews on pages 4 and 10 respectively

The primary financial statements and the majority of figures in the notes are presented in Pounds Sterling ("£") because that is the currency of the primary economic environment in which the Group operates Where it is considered useful and appropriate, certain figures for the operations of the Australian business are disclosed in the notes in Australian Dollars ("A$").

Overseas operations are included in accordance with the policies set out in Note 3

As announced on 29 June 2012, the Group changed its accounting period to the 52 weeks ending on the Sunday closest to 31 December Some reporting periods in the future will be 53 week periods This was done to bring the statutory reporting timetable into line with the management reporting cycle

2 ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised Standards and Interpretations have been adopted in the current year Their adoption has not had any significant impact on the amounts reported in these Financial Statements and they are unlikely to have any significant impact on the accounting for future transactions and arrangements

IFRS 1 (amended) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	An amendment to IFRS 1 to allow first time adopters of IFRS which have been subject to hyperinflation to use fair value as the deemed cost of assets in the opening IFRS Statement of Financial Position
IFRS 7 (amended) – Disclosures – Transfers of Fixed Assets	The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred
IAS 12 (amended) – Deferred tax – Recovery of Underlying Assets	The amendment provides a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale

At the date of authorisation of these Financial Statements the following Standards and Interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective (and in some cases had not yet been endorsed by the EU)

IFRS 1 (amended) affecting accounting periods beginning on or after 1 January 2013	Government Loans
IFRS 7 (amended) affecting accounting periods beginning on or after 1 January 2013	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 9 affecting accounting periods beginning on or after 1 January 2015	Financial Instruments
IFRS 10 affecting accounting periods beginning on or after 1 January 2013	Consolidated Financial Statements
IFRS 11 affecting accounting periods beginning on or after 1 January 2013	Joint Arrangements
IFRS 12 affecting accounting periods beginning on or after 1 January 2013	Disclosure of Interests in Other Entities
IFRS 13 affecting accounting periods beginning on or after 1 January 2013	Fair Value Measurement
IAS 1 (amended) affecting accounting periods beginning on or after 1 July 2012	Presentation of Items of Other Comprehensive Income
IAS 19 (revised) affecting accounting periods beginning on or after 1 January 2013	Employee Benefits
IAS 27 (revised) affecting accounting periods beginning on or after 1 January 2013	Separate Financial Statements
IAS 28 (revised) affecting accounting periods beginning on or after 1 January 2013	Investments in Associates and Joint Ventures
IAS 32 (amended) and IFRS 7 (amended) affecting accounting periods beginning on or after 1 January 2014	Offsetting Financial Assets and Financial Liabilities

2 ADOPTION OF NEW AND REVISED STANDARDS (continued)

IFRIC 20 affecting accounting periods beginning on or after 1 January 2013	Stripping Costs in the Production Phase of a Surface Mine
Improvements to IFRSs (2009–2011) affecting accounting periods beginning on or after 1 January 2013	Improvements to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34
Amendments to IFRS 10, IFRS 11 and IFRS 12 affecting accounting periods beginning on or after 1 January 2013	Transition arrangements

The Directors do not consider that the adoption of the above standards will have a material impact on the Financial Statements of the Group in future periods

The group will voluntarily adopt the Standards and Interpretations shown above as affecting accounting periods beginning on or after 1 January 2013 in its Financial Statements for the 52 weeks ending 29 December 2013 even though that accounting period begins on 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") and therefore the Consolidated Financial Statements comply with Article 4 of the EU IAS Regulation

The Consolidated Financial Statements have been prepared under the historical cost basis, except for derivative financial instruments which are stated at their fair value Historical cost is generally based on the fair value of the consideration given in exchange for the assets The principal accounting policies adopted are set out below

(b) Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) made up to the Sunday closest to 31 December each year Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate Where necessary the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation

(c) Going concern

The Directors have adopted the going concern basis of accounting in preparing the Financial Statements Further details of the Directors' considerations of the current economic environment, including the industry specific circumstances in which the Group operates, and details of the material uncertainties which may cast significant doubt over the Group's and Company's ability to continue as a going concern are included in the Financial Review on page 14

(d) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree Acquisition-related costs are expensed as incurred

Where applicable the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below) All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs Changes in the fair value of contingent consideration classified as equity are not recognised

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits respectively,
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 – Share-based Payment, and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed at the acquisition date, and is subject to a maximum of one year

(e) Revenue recognition

Revenue represents the amounts earned from the provision of services to external customers during the reporting period – the time of provision of services being the point at which the amount of revenue can be measured reliably and when it is probable that the economic benefits will flow to the Group Revenue is stated at invoiced amounts less value added tax or local taxes on sales, plus revenue earned but unbilled which is included as accrued income in trade and other receivables

- Revenue from temporary placements, which represents revenue for the services of temporary staff, is recognised when the services have been provided Revenue includes the salary costs of the temporary staff unless paid directly by the client in which case revenue represents commission only, and
- Revenue from permanent placements is recognised at the date when a candidate commences work Appropriate provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period

(f) Foreign currency

On consolidation, the results of overseas operations are translated into Sterling at average rates All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the period end All exchange differences arising on translation are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the translation reserve

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

(g) Share-based payments

The Group operates an equity-settled, share-based compensation plan When share options are awarded to employees, a charge is made to profit or loss recognising on a straight line basis the fair value at date of grant of the options issued over the vesting period with a corresponding adjustment to the share option reserve, based on the Group's estimate of the number of equity instruments that will eventually vest The options vest after a specific period (3 years for options issued from 2006 onwards, 1 year for options issued earlier) There are no other vesting conditions, other than that the options lapse should the employee leave the Group The cumulative expense is adjusted for failure to achieve non-market vesting conditions, such as an employee leaving

(h) Employee benefits

Contributions to the Group's defined contribution pension schemes are charged to the Consolidated Statement of Comprehensive Income in the period in which they become payable

The liability for Long Service Leave in respect of employees in Australia is recognised by way of a provision and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service Expected future benefits payable more than 12 months after the period-end are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows Where data specific enough to calculate a provision as described above are not available provision is made for Long Service Leave on an estimated basis

(i) Taxation

The charge for current taxation is provided at rates of corporation tax that have been enacted or substantively enacted by the reporting date Current tax is based on taxable profits for the year and any adjustments to tax payable in respect of previous years Taxable profit differs from net profit as reported in the Consolidated Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Deferred tax is provided, using the liability method, on all temporary differences which result in an obligation at the reporting date to pay more tax or a right to pay less tax, at a future date, based on tax rates and tax laws that have been enacted or substantively enacted at that date Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements The exceptions, where deferred tax assets are not recognised nor deferred tax liabilities provided, are

- at initial recognition of goodwill,
- the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit or loss nor taxable profit or loss, and
- taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date) Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the Consolidated Statement of Comprehensive Income as a bargain purchase gain

Goodwill is not amortised but is reviewed for impairment at least annually For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired If the recoverable amount, being the value in use or – where reliably measurable – fair value less costs to sell, of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit An impairment loss recognised for goodwill is not reversed in a subsequent period

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal

(k) Other intangible assets

Intangible assets (other than goodwill) acquired by the Group as part of a business combination are stated at fair value and are amortised on a straight-line basis over their expected useful lives, commencing on the date they come into use The amortisation is shown as part of operating expenses within the Consolidated Statement of Comprehensive Income

Internally generated intangible assets arising from the Group s development of software are recognised only if all of the following conditions are met

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

The estimated useful lives are as follows

Brands/trademarks	– 20 years
Customer relationships	– Over the contractual term or 6 years in the absence of a specified term
Computer software	– 3 to 5 years
Acquired candidate database	– 3 to 10 years
Knowledge database	– 2 years
Non-compete agreements	– 5 years

Intangible assets, other than goodwill, with finite lives are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable When the carrying amount of an asset exceeds its recoverable amount being the value in use or – where reliably measurable – fair value less costs to sell the asset is written down accordingly Impairment of other intangible assets is included in total operating expenses as a highlighted item in the Consolidated Statement of Comprehensive Income

(l) Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost As well as the purchase price, cost includes directly attributable costs All items are subsequently stated at cost less accumulated depreciation and any impairment loss

Depreciation is provided on a straight-line basis to write off the cost less estimated residual values, of property, plant and equipment over their expected useful lives It is calculated at the following rates

Improvements to leasehold buildings	– Over the lease term
Motor vehicles	– 4 years
Office and computer equipment	– 3 to 8 years

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount

(m) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has had a negative effect on the estimated future cash flows of that asset For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with defaults on receivables

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account When a trade receivable is considered uncollectible, it is written off against the allowance account Subsequent recoveries of amounts previously written off are credited against the allowance account Changes in the carrying amount of the allowance account are recognised in the Consolidated Statement of Comprehensive Income

(n) 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 lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease each determined at the inception of the lease The corresponding lease commitment is shown in the Consolidated Statement of Financial Position as a finance lease obligation

Lease payments are apportioned between finance expenses and reduction of the finance lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability Finance expenses are recognised immediately in the Consolidated Statement of Comprehensive Income

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

(o) Sales ledger credits

From time to time in the United Kingdom the Group receives payments which are in excess of the amounts which the Group's accounting records show as due The reasons include duplicate payments credit notes not taken by customers and payments by customers who are "self billing" which are higher than our calculation of the amounts due These matters are investigated and wherever possible the overpayments are resolved with the paying client and appropriate accounting entries made If after actively seeking to resolve the balance, it remains unresolved beyond the period set out in the Statute of Limitations (six years), the amount is credited to the Consolidated Statement of Comprehensive Income The balance of sales ledger credits at the period end is shown within creditors

(p) Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provision of the instrument

The Group classifies its financial assets and liabilities into one of the following categories, depending on the purpose for which the asset or liability was acquired The Group's accounting policy for each category is as follows

Financial assets.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise principally through the provision of services to customers (trade receivables) They are initially recognised at fair value and subsequently at amortised cost Impairment provisions are recognised where there is evidence that the Group will be unable to collect all of the amounts due under the terms of the receivable Trade receivables are reported net of impairment provisions which due to the nature of the customer base are not significant The Group's receivables that are financial assets comprise trade and other receivables, excluding prepayments, in the Consolidated Statement of Financial Position

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts Bank overdrafts are shown within current liabilities in the Consolidated Statement of Financial Position and are included within cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows

Derivative financial instruments. Derivatives, including the embedded derivative within the Zero Coupon Loan Note, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value through the Consolidated Statement of Comprehensive Income unless the derivative is designated in a hedging relationship

The Group holds a number of interest rate instruments, protecting a portion of the Group s borrowings against movements in interest rates Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met

- At the inception of the hedge there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge
- For cash flow hedges, the hedged item in a forecast transaction presents an exposure to variations in interest cash flows that could ultimately affect profit or loss on their scheduled payment dates

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Financial instruments (continued)

- The cumulative change in the value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i e it is expected to be highly effective)
- The effectiveness of the hedge can be reliably measured
- The hedge remains highly effective on each date it is tested The Group tests the effectiveness of its hedges twice a year, at each external reporting date

The Group only holds two derivative instruments which are not economic hedges, the interest rate swaps as required as part of the Refinancing in September 2011 (Note 41)

Effective hedges which are used to manage cash flow interest rate risk and are designated cash flow hedges are measured at fair value with changes in fair value recognised directly in equity The gain or loss relating to any ineffective portion is recognised directly in the Consolidated Statement of Comprehensive Income within finance income or expense When a hedging instrument expires or is sold, or when a hedge no longer meets all the criteria for hedge accounting hedge accounting is stopped immediately and any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Comprehensive Income When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Comprehensive Income within finance income or expense

There were no new derivative financial instruments entered into during the 52 weeks ended 30 December 2012 that were effective hedges and therefore hedge accounting was not applied

Other financial liabilities:

Trade payables and other short-term monetary liabilities These are initially recognised at fair value and subsequently at amortised cost

Zero coupon loan notes These are initially recognised at fair value, being the present value at the time of issue of future cash payments to extinguish the instrument They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition

Bank borrowings These liabilities are initially recognised at the amount advanced net of any transaction costs directly attributable to the issue of the instrument The costs of raising the financing are offset against the loan amount and are amortised over the term of the loan and are included within finance costs on the face of the Consolidated Statement of Comprehensive Income When loans are refinanced, drawings under the existing facilities are either extinguished or modified Where facilities are extinguished the balance of unamortised fees are written off to Finance Expense Where modified, the unamortised fees are carried forward in the Consolidated Statement of Financial Position to be written off over the term of the modified facilities

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the date of the Consolidated Statement of Financial Position, taking into account the risks and uncertainties surrounding the obligation Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows

Obligations arising under onerous contracts are recognised and measured as provisions An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group

Contingent liabilities are possible obligations which arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group Provision is not made for any liability which could arise in the future, but significant contingent liabilities are reported in Note 27

(r) 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 classified as equity instruments.

(s) Dividends

Final dividends are recognised as a liability in the year in which they are declared and approved by the Company's shareholders in the annual general meeting Interim dividends are recognised when they are paid

(t) Parent company

The Financial Statements of the parent company Healthcare Locums plc have been prepared in accordance with UK GAAP The Company Financial Statements are presented separately on pages 57 to 66

(u) Highlighted items

Where certain items of operating expense or income recorded in a period are material by their size or incidence, the Group reflects such items as highlighted items and these are shown separately in the Consolidated Statement of Comprehensive Income and disclosed in detail in the Notes to the Financial Statements Highlighted items may include costs associated with restructuring the business, incremental costs of staff working directly on restructuring and refinancing, one off gains and losses impairment of goodwill and intangible assets In addition amounts of finance income or expense which are material by their size or incidence are disclosed in detail in the Notes to the Financial Statements

(v) Adjusted operating profit and adjusted EBITDA

Adjusted operating profit is operating profit before share-based payments charges or credits and before highlighted items. The Board considers adjusted operating profit to be a better indicator of performance than operating profit as highlighted items, being exceptional in their nature by virtue of size or incidence, distort the results of the underlying business Adjusted EBITDA is adjusted operating profit before charging depreciation and amortisation

(w) Critical accounting judgements and key sources of estimation uncertainty

The Group makes estimates and assumptions regarding the future Estimates and judgements are continually evaluated based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances In the future actual experience may differ from these estimates and assumptions The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Measurement of intangible assets The allocation of the purchase price for acquisitions requires management to make significant estimates in determining fair values, especially for intangible assets and, until finally determined, contingent consideration These estimates are based on historical experience, information obtained from the management of the acquired businesses, relevant market and industry data and the forecast performance of the acquired businesses These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, the appropriate discount rate and the useful lives of intangible assets These estimates are inherently uncertain and unanticipated events and circumstances may occur, which may affect the accuracy or validity of such estimates To assist in making these significant estimates the Company engages expert professional valuers to assist with material acquisitions Management monitors the carrying values of assets and adjustments are made if anticipated future market conditions indicate that such adjustments are appropriate

Impairment of goodwill The Group is required to test, on at least an annual basis, whether goodwill has suffered any impairment The recoverable amount is determined based on the higher of value in use calculations or the fair value less costs to sell method These both require the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows Actual outcomes may vary More information on the carrying amount of goodwill is included in Note 14

Contractual claims and regulatory contingencies. The Group conducts its business principally in the UK and Australia and contractual claims or regulatory proceedings may arise The Group estimates and provides for potential losses that may arise out of litigation and regulatory proceedings to the extent that such losses are probable and can be estimated in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets Contingencies in respect of these matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance Significant judgment is required in assessing probability and making estimates in respect of contingencies, and the Group's final liability may ultimately be materially different from that estimated Provisions in respect of legal claims, contractual and regulatory proceedings are determined on a case by case basis and represent an estimate of probable losses after considering, among other factors, the progress of each case, the Group's experience of others in similar cases and the views of legal counsel Where no estimate can be reliably made of the likely outcome of any claims, and they are potentially material, those claims are disclosed as contingent liabilities (Note 27)

Uncertain tax positions. Uncertain tax positions may arise where the Directors have had to make particular judgments in relation to certain tax treatments Based on the status of enquiries with the relevant tax authorities and consideration of tax legislation the Group estimates and provides for potential losses that may arise from uncertain income tax positions to the extent that such losses are probable and can be estimated, in accordance with IAS 12 – Income Taxes However, significant judgment is required in making these estimates, particularly in relation to the recovery of losses, and the Group's final liabilities may ultimately be materially different

Estimation of useful economic lives of long-lived assets The economic life used to amortise intangible assets and depreciate property, plant and equipment relates to the future performance of the assets in question and management s judgment of the period over which the economic benefit will be derived from the asset

As at 30 December 2012, the amount of property, plant and equipment included in the Consolidated Statement of Financial Position was £2 3m (2011 £2 0m)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Critical accounting judgements and key sources of estimation uncertainty (continued)

As at 30 December 2012, the amount of intangible assets included in the Consolidated Statement of Financial Position was £34 2m (2011 £53 9m)

Employee benefits provision In Australia employees, including locums are entitled to long service leave after 10 years service (subject to specific rules and conditions which vary state by state) In determining the amount of the employee benefits provision, representing the value of expected future payments to be made in respect of services provided by employees up to the date of the Consolidated Statement of Financial Position, the Directors consider salary levels, the past experience of employee departures and periods of service As at 30 December 2012, the amount provided for in the Consolidated Statement of Financial Position was £2 6m (2011 £2 8m)

Zero Coupon Loan Notes The Zero Coupon Loan Notes were issued during 2011 as part of the Refinancing The nominal value of the Zero Coupon Loan Notes was discounted to fair value at a rate of 15% which the Directors considered fairly represented the return a non-senior lender would seek from the Company for a loan maturing in September 2021 The Zero Coupon Loan Notes include an embedded derivative, Note 23, which could lead to the issue of further Zero Coupon Loan Notes for nil consideration The Directors assessed at the date of issue and at all subsequent reporting dates the likelihood of further Zero Coupon Loan Notes being issued if future EBITDA or enterprise value targets are achieved

4 SEGMENTAL ANALYSIS

The segmental analysis provided below represents the information presented to the Board of Directors, which is the Chief Operating Division Maker as defined by IFRS 8

In the UK the Group provided locum recruitment services for health and social care staff being doctors, nurses, allied health professionals ("AHP") and qualified social workers ("QSW") The permanent placement business which places staff in each of these sectors is managed as a separate, single segment The Australian business is also managed as a separate single segment There have been no changes to the structure of these segments during the 52 weeks ended 30 December 2012

The Board views these six as its principal business segments and regularly reviews information on the revenue, cost of sales, gross profits and divisional contribution to adjusted EBITDA of each of the segments The divisional contribution to adjusted EBITDA represents divisional gross profit less direct costs incurred by the division The balance of costs are classed as central costs and these are not allocated to the segments In previous years segmental information was only presented at the revenue and gross profit levels The 2011 segmental results have been adjusted to be on a consistent basis with the 2012 segmental analysis

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Revenue:		
UK		
Locum doctors	**24.9**	25 5
Locum nursing	**19.6**	25 2
Locum allied health professionals	**19.5**	30 6
Locum qualified social workers	**21.6**	26 5
Permanent placements	**1 7**	2 6
Inter-segment	-	(01)
Total UK	**87.3**	110 3
Australia	**109.5**	116 8
Continuing operations	**196.8**	2271
Gross profit.		
UK		
Locum doctors	**3.3**	3 7
Locum nursing	**5.6**	6 9
Locum allied health professionals	**4.4**	8 2
Locum qualified social workers	**3.8**	4.6
Permanent placements	**1.7**	2 6
Total UK	**18.8**	26 0
Australia	**20.9**	23 7
Continuing operations	**39.7**	49 7

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Adjusted EBITDA		
UK		
Locum doctors	1.1	0 8
Locum nursing	3.0	4 6
Locum allied health professionals	1.8	4 4
Locum qualified social workers	1.7	1 4
Permanent placements	-	0 3
Central costs excluding depreciation, amortisation and share based credits	(12.5)	(14 3)
Total UK	(4.9)	(2 8)
Australia	3.5	7 9
Adjusted EBITDA from continuing operations	(1.4)	5 1
Depreciation and amortisation:		
UK	(1 1)	(1 5)
Australia	(5.3)	(5 2)
Share based credits	-	0 5
Goodwill and intangible assets impairment	(36 0)	-
Net exceptional operating expenses	(0.6)	(9 6)
Loss from operations	(44 4)	(10 7)

Inter-segment adjustments represent removal of the overlapping revenue from placements recognised by two or more segments, revenue and cost of sales not allocable to the reported segments and measurement differences between the basis used to report invoiced transactions to the Chief Operating Decision Maker and the basis used in the Group Financial Statements

The goodwill and intangible asset impairment of £36 0m was charged as £6 0m against the locum allied health professionals segment in the UK and £30 0m against the Australian segment As reported in Note 14 the Australian segment includes two cash generating units ("CGUs") with goodwill and intangible assets The larger one is the nursing agency and the impairment is wholly against that CGU The other CGU with goodwill and intangible assets, the Last Minute Locums business, is not of sufficient size to require separate disclosure in the segmental analysis and is not reported separately to the Chief Operating Decision Maker

The geographical distribution of the non-current assets of the Group was as follows

	30 December 2012 £m	31 December 2011 £m
UK:		
Property, plant and equipment	0.7	0 8
Goodwill	13.5	19 5
Other intangible assets	4.0	4 7
Total UK	18.2	25 0
Australia:		
Property, plant and equipment	1.6	1.2
Goodwill	3.7	20 3
Other intangible assets	30.2	49 2
Total Australia	35.5	70 7
Group total	53.7	95 7

Separate entities operating as registered NHS Trusts in the UK are considered a single customer by the Group Of the total Group revenue, NHS Trusts accounted for 30 3% (2011 32 4%) There were no other single customers contributing more than 10% to the Group's revenue in 2012 or 2011

5 EMPLOYEES

	52 weeks ended 30 December 2012 £m	Restated year ended 31 December 2011 £m
Staff costs (including Directors) comprise		
Wages and salaries	23.4	251
Social security costs	2.0	2 2
Long service leave costs	-	01
Defined contribution pension costs	1 0	0 8
Share-based payment credit (Note 31)	-	(0 5)
	26.4	277

	52 weeks ended 30 December 2012	Year ended 31 December 2011
The average number of employees during the year was	543	583

The reported costs in the 2011 Financial Statements of £28 8m erroneously included the costs of staff at the Group's outsourced service centre in India Those staff are not employees of the Group and they were not included in the average number of employees of 583

6 DIRECTORS' REMUNERATION

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Directors' remuneration consists of		
Emoluments	1.1	11
Sums paid to third parties in respect of Directors' services	0.1	0 5
Benefits	0.2	01
Bonuses	-	0 2
Share-based payment credit	-	(0 4)
	1.4	1 5

The Board has determined that the Directors are the key management personnel

Pension contributions were paid in the year amounting to £12,500 (2011 £3,563 paid on behalf of a former Director)

The remuneration of the highest paid Director including benefits, was £451,000 (2011 £339,000)

Five former Directors had options over the Ordinary Shares of the Company at 1 January 2011, but all of those options were forfeited during the year ended 31 December 2011 No options were granted to or exercised by Directors in either 2012 or 2011

The Directors and their close family members, are related parties of the Company Other than as disclosed above there are no other transactions to report with the Directors or their close family members

7 NET EXCEPTIONAL OPERATING EXPENSES

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Exceptional operating income/(expense):		
Reorganisation and refinancing costs		
Restructuring costs	-	(1 8)
Refinancing additional costs	-	(0 7)
Australia – integration costs	-	(0 6)
Onerous leases	-	(0 7)
	-	(3 8)
Gain / (loss) on fair value changes in contingent and deferred consideration (Note 17)	0.1	(2 9)
Investigation and resolution of accounting irregularities and legal costs arising from historic accounting irregularities	(0.7)	(2 9)
Net exceptional operating expenses	(0.6)	(9 6)

The main exceptional costs in the 52 weeks ended 30 December 2012 relate to legal fees incurred defending claims brought against the Company as disclosed in Note 27 Exceptional income of £0 1m relates to the reduced settlement of sums due to Craig Tibbles on the early settlement of the final agreed amount due on the acquisition of Orion Locums Ltd and MJV Locums Ltd on 23 July 2010 (Note 17)

In 2011 the exceptional operating expenses included·

- Restructuring costs primarily related to redundancies and office relocation costs
- Additional costs relating to the Refinancing of the group in September 2011, including the incremental costs of staff wholly, or predominantly involved in work relating to the Refinancing
- The investigation and resolution of the accounting irregularities including external professional advisers and the incremental costs of staff wholly, or predominantly, involved in work relating to the investigation

The tax effect of the above exceptional items is £nil (2011 £0 1m credit for Australia)

8 LOSS FROM OPERATIONS

Loss from operations for the year has been arrived at after charging / (crediting) the following

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Goodwill and intangible assets impairment (Notes 14 and 15)	36.0	-
Amortisation of intangible assets (Note 15)	5.7	5 7
Depreciation of property, plant and equipment (Note 16)	0.7	1 0
Foreign exchange losses	-	0 6
Hire of other assets – operating leases	2.3	3 2
Share option scheme credits (Note 31)	-	(0 5)
Loss / (gain) on disposal of property, plant and equipment	0.3	(0 1)
Fees payable to the Company's current auditor for		
– audit of the Company's annual accounts	0.3	0 2
– audit of the Company's subsidiaries	0 2	0 1
– tax advisory services	0.1	-
Fees payable to the Company's previous auditor for		
– audit of the Company s subsidiaries	-	0 1

9 FINANCE INCOME AND EXPENSE

Finance Income	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Exceptional finance income		
Refinancing – difference between fair value of shares issued to Ares Lux and the mezzanine finance retired	-	9 9
Fair value adjustment on Zero Coupon Loan Note	-	7 7
Bank debt waived	-	5 9
Accrued interest payable written off in Refinancing	-	0 6
	-	24 1
Interest received on bank deposits	0.1	0 1
Foreign exchange gains	-	0 2
Gain on fair value changes in derivative financial instruments	-	0 1
Other	0.2	-
	0.3	24 5

9 FINANCE INCOME AND EXPENSE (continued)

Finance expense	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Exceptional finance expense		
Bank fees relating to debt repaid written off	-	4 4
Professional fees of Banks' advisers	-	3.0
Advisers fees on the Refinancing	0.1	2 5
Warrant option written off	-	2 6
Forex on refinancing	-	0 3
Arrangement fee on ACE Limited facility	-	0 2
	0.1	13 0
Bank loans and overdrafts	3.7	12 4
Amortisation of fees	0.7	1 0
Foreign exchange losses	0.2	-
Loss on fair value changes in derivative financial instruments	0.2	-
Finance lease interest	0 1	0 2
Imputed interest on Zero Coupon Loan Notes	0.4	0 1
Other	0.1	-
	5.5	26 7

The Group does not apply cash flow hedge accounting to derivative financial instruments Accordingly, all changes in the fair values of derivative financial instruments are recognised in the Consolidated Statement of Comprehensive Income

10 TAX BENEFIT

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
UK corporation tax – current year	-	-
UK corporation tax – prior year	(0.8)	(0 8)
Overseas tax – current year	-	(0 4)
Overseas tax – prior year	-	-
Current tax credit	(0.8)	(1 2)
Deferred tax		
Origination and reversal of temporary differences	(1.7)	(1 4)
On impairment of intangible fixed assets	(4 1)	-
	(5.8)	(1 4)
Total tax benefit on continuing operations	(6.6)	(2 6)

The tax benefit assessed for the period is lower than the standard rate of corporation tax in the UK for the 52 weeks ended 30 December 2012 The differences are explained below

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Loss before taxation (including discontinued operations)	(49.6)	(11 1)
Tax at the standard rate of corporation tax in the UK of 24 5 % (2011 26 5%)	(12.2)	(2 9)
Effects of		
Expenses not deductible for tax purposes	6.8	3 4
Non-taxable income	-	(3 0)
Over provision in prior years	(0.8)	(0 8)
Unrecognised potential deferred tax assets	1.6	1 4
Impact of overseas tax rates	(2.0)	(0 3)
Total tax benefit for the year	(6.6)	(2.2)
Represented by:		
Tax on continuing operations	(6.6)	(2 6)
Tax on discontinued operations	-	0 4
	(6.6)	(2 2)

11 PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS, NET OF TAX

On 27 June 2011 the Group announced that its wholly owned Australian subsidiary, HCA had agreed to sell its Homecare division to KinCare Health Services Pty Ltd The sale was completed on 18 July 2011

The disposal was to enable HCL to focus on the development of the core UK and Australian businesses and realise value from non-core elements of the business which would have required further investment to realise their true potential The net proceeds were used to reduce Group debt

The net assets sold comprised

	Year ended 31 December 2011 £m
Property plant and equipment	0 2
Intangible assets – goodwill	6 6
Intangible assets – other	15 9
Deferred tax asset	0 4
Trade and other receivables	4 4
Assets sold	27 5
Trade and other payables	(1 6)
Short term provisions	(1 8)
Long term provisions	(0 2)
Deferred tax liability	(4 3)
Liabilities transferred	(7 9)
Net assets sold	19 6
Disposal proceeds	22 7
Costs of sale	(2 4)
Net proceeds of disposal	20 3
Net gain on disposal	0 7

There was no tax effect from the disposal

The results of trading and cash flows for 2011 to the date of disposal were as follows

	1 January to 17 July £m
Revenue	16 3
Cost of sales	(11 5)
Gross profit	4 8
Administrative expenses	(3 3)
Other operating expenses	(0 4)
Profit from operations	1 1
Finance expense (net)	-
Profit before taxation	1 1
Tax expense	(0 4)
Profit for the period	0 7
Operating cash flows	1 3
Financing cash flows	(0 1)
Total cash flows	1.2

12 LOSS PER SHARE

	52 weeks ended 30 December 2012 Number '000	Year ended 31 December 2011 Number 000
Number of ordinary 10p shares		
Weighted average number of shares for basic EPS	847,799	334 075
Dilutive effect of share options	-	-
Weighted average number of shares used for diluted EPS	847,799	334,075
Calculation of adjusted earnings for the year	£m	£m
Loss for the period from continuing operations	(43 0)	(10 3)
Adjustments		
Goodwill and intangible assets impairment (Notes 14 and 15)	36.0	-
Net exceptional operating expenses (Note 7)	0.6	9 6
Share-based payment credits	-	(0 5)
Exceptional finance income (Note 9)	-	(24 1)
Exceptional finance expense (Note 9)	0.1	13 0
	36 7	(2 0)
Tax effect of above items	(4.1)	(0 1)
Post tax adjustments	32.6	(2 1)
Adjusted loss for the year from continuing operations	(10.4)	(12 4)
Loss per share from continuing operations	Pence	Pence
Basic and diluted loss per share	(5.1)	(3 1)
Adjusted basic and diluted loss share	(1.2)	(3 7)
	£m	£m
Profit for the year from discontinued operations	-	1 4
Earnings per share from discontinued operations	Pence	Pence
Basic and diluted earnings per share	-	0 4

Loss per share from continuing and discontinued operations in 2012 was 5 1p and the adjusted loss per share from continuing and discontinued operations was 1 2p (2011 2 7p and 3 3p per share respectively)

At 30 December 2012 there were 148,200 (2011 175,495) potentially dilutive share options which have not been included in the above calculations as they do not affect EPS because they are not currently dilutive

13 DIVIDENDS

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Interim dividend of 1 8p paid on 10 January 2011 per ordinary share relating to the previous year's results	-	2 1

The Directors are not proposing an interim or final dividend for 2012 (2011 no interim or final dividends)

As reported in the Consolidated Financial Statements for the year ended 31 December 2011 the Board has concluded that the dividend paid on 10 January 2011 was unlawful as the then Board should have known at the dates the dividend was approved and paid that the Company had insufficient reserves available to make the payment The Board is continuing to review whether remedies are available against former directors to recover unlawful dividends paid to them and damages for breach of duty in authorising the relevant dividends

14 GOODWILL

	Total £m
Cost	
At 1 January 2011	97 6
Disposals	(6 5)
Effect of movements in foreign exchange	0 1
At 31 December 2011	**91.2**
Effect of movements in foreign exchange	**(0.5)**
At 30 December 2012	**90.7**
Impairment	
At 1 January and 31 December 2011	**51.4**
Charge in the year	**22.4**
Effect of movements in foreign exchange	**(0.3)**
At 30 December 2012	**73.5**
Carrying amount:	
At 30 December 2012	**17.2**
At 31 December 2011	39 8

The carrying amount is attributable to the following cash generating units ("CGUs") which are individual businesses with separately identifiable cash flows

	30 December 2012 £m	31 December 2011 £m
UK - Allied Health Professionals	**2.0**	8 0
UK - Nursing	**11.5**	11 5
Australia - LML	**3.7**	3 8
Australia - Nursing Agency	**-**	16 5
Total	**17.2**	39 8

The two UK CGUs are reported as separate segments in Note 4 Goodwill is monitored at a lower level in Australia than the operating segment as defined under IFRS 8 and thus two CGUs have been identified The two Australian CGUs are both included within the single Australian operating segment in Note 4 as the LML business is not of sufficient size to require separate disclosure, and it is not reported as a separate segment to the Chief Operating Decision Maker In 2011 the goodwill (and other intangible assets) within Australia were tested for impairment in the same manner but as there was no impairment, and the LML assets tested were under 10% of the whole Australian assets tested, the two CGUs were not separately disclosed

At 30 December 2012 goodwill and intangible assets (Note 15) were tested for impairment During 2012 the Group reviewed and revised its budgeting and forecasting procedures and now routinely prepares both base case figures, reflecting management expectations, and a second version ("the lower range budget") reflecting the impact of a range, decided division by division, of factors such as reduced revenue growth rates reduced margins and delays in new initiatives to boost revenues or reduce costs The recoverable amounts of the above segments, and the intangible assets, were determined from value in use calculations based on cash flow projections from the lower range budget for 2013, lower range forecasts for 2014 and 2015 and estimates for subsequent years

In determining the discount rate consideration was given to the Group weighted average cost of capital ("WACC") and to the estimated cost of new funding which was being raised after the year end The key assumptions in the calculation of the WACC were

- Risk-free rate - 1 96% (2011 2.1%)
- Equity market risk premium - 7 3% (2011, 7 2%)
- Beta - 1 079 (2011 1 195)
- Small stock premium - 6 0% (2011, 6 0%)
- Gross cost of debt, inclusive of amortisation of fees, 11 62% (2100 11 0%)
- Expected long-term tax rate - 23% UK, 30% Australia (2011 25% and 30%)
- Zero coupon loan notes discount rate 15 0% (2011 15 0%)

Use of those assumptions gave a pre-tax WACC of 14 8% which equates to a post-tax WACC of 11 4% for the UK and 10 9% for Australia

Reviewing the anticipated cost of the new funding being raised, as an indicator of the most up to date cost of capital, suggested the WACC was not the most reliable basis for calculating the discount rate to use, and as a result the calculations were done using a pre-tax discount rate of 15 6% in the UK and 18 6% in Australia

14 GOODWILL (continued)

The assumptions as to long term growth rates were 1% in the UK and 3% in Australia These rates are consistent with forecasts of economic growth in the respective countries

The results indicated that goodwill and other intangible assets were impaired in both the UK – £6 0m impairment of Allied Health Professionals goodwill – and in Australia a total of £30 0m (A$46 1m) The chief factor in the calculations which has caused the impairments is in each case reduced revenue forecasts, which in turn reflect the declining revenues in the second half of 2012

It was determined that the impairment in Australia, which all related to the Nursing Agency business, should be allocated, in accordance with IAS 36, to goodwill £16.4m (A$25 2m), Brands and Trademarks £7 3m (A$11 2m) Customer Relationships £4 3m (A$6 6m) and Acquired Candidate Database £2 0m (A$3 1m) (movements in other intangibles are shown in Note 15)

Whilst prudent assumptions were used throughout the impairment testing process sensitivity testing of the assumptions as they impacted on the LML valuation were undertaken and showed, for reasonably possible assumption changes, no impairment

15 OTHER INTANGIBLE ASSETS

	Customer relationships £m	Computer software £m	Acquired candidate database £m	Brands and trademarks £m	Knowledge database £m	Non-compete agreements £m	Total £m
Cost.							
At 1 January 2011	32 2	8 1	13 5	33 1	0 1	0 5	87 5
Additions	-	0 4	-	-	-	-	0 4
Transfer to property, plant & equipment	-	(0 2)	-	-	-	-	(0 2)
Disposals	(7 5)	(1 3)	(3 3)	(5 3)	(0 1)	-	(17 5)
Written off	-	(5 6)	-	-	-	-	(5 6)
Effect of movements in foreign exchange	0 2	-	0 1	0 2	-	-	0 5
At 31 December 2011	**24.9**	**1.4**	**10.3**	**28 0**	**-**	**0.5**	**65.1**
Additions	-	**0.7**	-	-	-	-	**0.7**
Disposals	**(0.5)**	-	-	**(0.1)**	-	-	**(0.6)**
Reclassification	-	**(0.2)**	-	-	-	-	**(0.2)**
Effect of movements in foreign exchange	**(0.5)**	-	**(0.2)**	**(0.6)**	-	-	**(1.3)**
At 30 December 2012	**23.9**	**1.9**	**10.1**	**27.3**	**-**	**0.5**	**63.7**
Amortisation							
At 1 January 2011	4 3	7 1	0 3	0.1	0 1	-	11 9
Provided for the year	2 9	0 3	1 4	1 7	-	0 1	6 4
Disposals	(0 3)	(0 8)	(0 2)	(0 2)	(0 1)	-	(1 6)
Written off	-	(5 6)	-	-	-	-	(5 6)
Effect of movements in foreign exchange	-	-	-	0 1	-	-	0 1
At 31 December 2011	**6.9**	**1.0**	**1.5**	**1.7**	**-**	**0 1**	**11 2**
Provided for the year	**2.7**	**0.1**	**1.4**	**1.4**	**-**	**0.1**	**5.7**
Impairment (Note 14)	**4.3**	**-**	**2.0**	**7.3**	**-**	**-**	**13.6**
Disposals	**(0.5)**	-	-	**(0.1)**	-	-	**(0.6)**
Effect of movements in foreign exchange	**(0.2)**	-	**(0.1)**	**(0.1)**	-	-	**(0.4)**
At 30 December 2012	**13.2**	**1.1**	**4.8**	**10.2**	**-**	**0.2**	**29.5**
Carrying amount:							
At 30 December 2012	**10.7**	**0 8**	**5.3**	**17.1**	**-**	**0.3**	**34.2**
At 31 December 2011	18 0	0 4	8 8	26 3	-	0 4	53 9

At 30 December 2012 computer software included £0 1m under construction (2011 £0 2m) The Group amortises intangible assets from the date the assets are ready to use

Assets reclassified from computer software were transferred to prepayments

Bank loans are secured on all assets of the Group

The asset lives of the material intangible assets have been assessed at 20 years for brands and trademarks and 10 years for the main acquired candidate database Customer relationships are amortised over the life of the contracts

16 PROPERTY, PLANT AND EQUIPMENT

	Improvements to leasehold buildings £m	Office and Computer Equipment £m	Motor Vehicles £m	Total £m
Cost				
At 1 January 2011	1 5	2 7	0 2	4 4
Additions	0 3	0 4	-	0 7
Disposals	(0 3)	(0 5)	(0 1)	(0 9)
Transfer from intangible assets	-	0 2	-	0 2
At 31 December 2011	**1.5**	**2.8**	**0.1**	**4.4**
Additions	**0.8**	**0.6**	-	**1.4**
Disposals	**(0.4)**	**(0.4)**	**(0.1)**	**(0.9)**
At 30 December 2012	**1 9**	**3.0**	-	**4.9**
Depreciation and impairment:				
At 1 January 2011	0 5	1 4	-	1 9
Provided for the year	0 3	0 8	-	1 1
Disposals	(0 3)	(0 3)	-	(0 6)
At 31 December 2011	**0.5**	**1.9**	-	**2.4**
Provided for the year	**0.3**	**0.4**	-	**0.7**
Disposals	**(0.3)**	**(0.2)**	-	**(0 5)**
At 30 December 2012	**0.5**	**2.1**	-	**2.6**
Carrying amount				
At 30 December 2012	**1 4**	**0.9**	-	**2.3**
At 31 December 2011	1 0	0 9	0 1	2 0
Assets included above held under finance leases (Note 20)				
Carrying amount:				
At 30 December 2012	**-**	**-**	**-**	**-**
At 31 December 2011	-	0 1	-	0 1
Depreciation charge:				
52 weeks ended 30 December 2012	**-**	**-**	**-**	**-**
Year ended 31 December 2011	-	0 3	-	0 3

Bank loans are secured on all assets of the Group

17 ACQUISITIONS

During 2010, HCL completed 4 acquisitions The terms of the acquisitions included, in some cases, contingent consideration and estimates were made as to the likely amounts payable under the contingent consideration terms During 2012 final settlement was made of contingent consideration amounts accounted for as payable at 31 December 2011 During 2011 a number of amendments were negotiated to the purchase consideration amounts and terms as detailed below As a result the following credits / (charges) were reported within net exceptional operating costs in the Consolidated Statement of Comprehensive Income (Note 7)

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Orion / MJV variation agreement	-	(4 5)
LML contingent consideration written off	-	0 9
Redwood variation agreement	-	0 7
Final settlement of Orion / MJV contingent consideration	0.1	-
	0.1	(2 9)

Orion / MJV

On 23 July 2010 the Group acquired 100% of the voting share capital of Orion Locums Limited (now HCL Nursing Limited), a leading nursing and healthcare locum staffing business in the UK, for an initial consideration of £3,200,000 and 100% of the voting share capital of MJV Locums Limited for an initial cash consideration of £500,000 from a common shareholder, Craig Tibbles. The Group also agreed to pay contingent consideration in cash of up to £5,600,000 for Orion and £1,400,000 for MJV The fair value of the contingent consideration at the time of acquisition was £4,780,000

17 ACQUISITIONS (continued)

Orion / MJV (continued)

Following a review of post acquisition performance to 31 December 2010 the fair value was reassessed as £548,000 and the reduction was recognised as a gain of £4,232,000 in the Consolidated Statement of Comprehensive Income in 2010

On 4 January 2011 the total contingent consideration was replaced by a fixed £5,000,000 of deferred consideration (£2,000,000 payable in 2011 and £3,000,000 payable in 2012) following the signing of a variation agreement and £4,452,000 was charged to the Consolidated Statement of Comprehensive Income in 2011

As part of the Refinancing in September 2011 Craig Tibbles agreed to accept 25,000,000 New Ordinary Shares in return for releasing HCL from paying £1,000,000 and £1,500 000 of the deferred consideration due in 2011 and 2012 respectively As part of the same agreement the remaining £2 500,000 was amended to £1,000 000 payable on 3 October 2011 and £900,000 payable on 1 October 2012 or, at Craig Tibbles' election, £800 000 on 1 June 2012 The balance of £600 000 was released to the Consolidated Statement of Comprehensive Income in 2011 to cover matching costs and asset write-offs including an assessment of underpaid VAT due to input tax having been incorrectly calculated prior to the acquisition

During 2012 Craig Tibbles elected to receive £800 000 on 1 June 2012, which was paid The balance of £100,000 was released to net exceptional operating costs in the Consolidated Statement of Comprehensive Income in 2012

LML

On 1 August 2010 HCL International Pty Ltd (a wholly owned Australian subsidiary of Healthcare Locums plc) acquired the business and assets of Last Minute Locums Pty. Ltd ("LML"), an established Australian medical staffing business with a database of over 3,500 qualified doctors, for an initial cash consideration of A$7,850,000 (£4,834,000) and a contingent consideration based on post-acquisition results of up to a maximum of A$5,000,000 At the date of acquisition the fair value of the contingent consideration was assessed to be A$2,000,000 (£1,232 000) Exchange rate movements to 31 December 2010 increased the contingent consideration in Sterling terms to £1,309,000 During 2011 additional consideration was earned, based on exceeding the post-acquisition results targets of A$275 291 (2010 A$298,161) and both of these amounts were paid during the year-ended 31 December 2011 The likelihood of meeting the remaining targets was reviewed as at 31 December 2011 and the balance of the contingent consideration, amounting to A$1,426,548 (£0 9m), was written off to net exceptional operating costs in the Consolidated Statement of Comprehensive Income in 2011

Redwood

On 19 August 2010 Medical Technical Ltd (a wholly owned subsidiary of Healthcare Locums plc) acquired the business and certain of the assets of Redwood Health Limited (subsequently renamed as Dancorp Limited 'Dancorp") for an initial cash consideration of £5,000,000 and a contingent consideration of up to a maximum of £1,650,000 The fair value of the contingent consideration at the date of acquisition was £1,650 000 This was a related party transaction as set out in Note 30

On 25 March 2011 the total contingent consideration was replaced by £1,328,194 of deferred consideration following the signing of a variation agreement and £321 806 was credited to net exceptional operating costs in the Consolidated Statement of Comprehensive Income in the year ended 31 December 2011 £650,000 was paid during the year ended 31 December 2011 and agreement was reached with the administrators of Dancorp before 31 December 2011 to settle the balance of the deferred consideration by a final payment of £325,000 (paid during the 52 weeks ended 30 December 2012) with the remaining £353,194 credited to net exceptional operating costs in the Statement of Comprehensive Income in the year ended 31 December 2011, making the total amount credited in the year £675 000

18 TRADE AND OTHER RECEIVABLES

	30 December 2012 £m	Restated 31 December 2011 £m
Trade receivables	**17.9**	22 0
Other receivables	**0.2**	0 6
Prepayments	**1.9**	1 0
Accrued income	**1.8**	3 2
	21.8	26 8

All amounts shown under receivables fall due for payment within one year The ageing analysis of the trade receivables and the amounts denominated in currencies other than Sterling are set out in Note 23 There are no differences between the carrying amount and the fair value of the trade and other receivables at either reporting date

In preparing the Financial Statements at 31 December 2011 a clerical error was made on a journal which meant trade receivables and trade payables were both overstated by £3 1m This was a classification error which had no impact on net assets or profits and losses The reported figure of £25 1m for trade receivables at 31 December 2011 has been corrected to £22 0m in the table above

19 TRADE AND OTHER PAYABLES

	30 December 2012 £m	Restated 31 December 2011 £m
Trade payables	**0.9**	2 7
Other taxes and social security	**2.2**	2 4
Accruals	**8.0**	9 0
Deferred income	**0 4**	0 2
Sales ledger credits	**3.8**	4 3
Other creditors	**3.6**	3 8
	18.9	22 4

There are no differences between the carrying amount and the fair value of the trade and other payables at either reporting date

In preparing the Financial Statements at 31 December 2011 a clerical error was made on a journal which meant trade receivables and trade payables were both overstated by £3 1m This was a classification error which had no impact on net assets or profits and losses The reported figure of £5 8m for trade payables at 31 December 2011 has been corrected to £2 7m in the table above

20 LOANS AND LONG TERM BORROWINGS

	30 December 2012 £m	31 December 2011 £m
Current portion of long-term debt		
Sterling denominated		
Obligations under finance leases	**0.1**	0 3
Australian Dollar denominated		
Secured bank loans	**1 9**	1 3
Unamortised debt issue costs	**(0.7)**	(0.7)
Total current borrowings	**1.3**	0 9
Non-current:		
Sterling denominated.		
Zero coupon loan notes	**3.0**	2 6
Obligations under finance leases	**-**	0 1
Australian Dollar denominated		
Secured bank loans	**36.6**	38 2
Unamortised debt issue costs	**(0.8)**	(1 6)
Total non-current borrowings	**38.8**	39.3

There are no differences between the carrying amount and the fair value of the loans and long-term borrowings at either date

The Group did not capitalise any fees during 2012 (2011 £0 7m paid for loans modified during the year) Fees are amortised using the effective interest method over the terms of the respective loans

The Zero Coupon Loan Notes are stated at fair value, being the fair value recognised at the date of issue plus imputed interest to 30 December 2012 More details are set out in Note 23

The finance leases are secured on the assets to which they relate. The carrying amounts of these assets are disclosed in Note 16

Future lease payments are due as follows

	Minimum lease payments 2012 £m	Interest 2012 £m	Present value 2012 £m
Not later than one year	**0 1**	**-**	**0.1**
Later than one year and not later than five years	**-**	**-**	**-**
	0.1	**-**	**0.1**

	Minimum lease payments 2011 £m	Interest 2011 £m	Present value 2011 £m
Not later than one year	0 4	0 1	0 3
Later than one year and not later than five years	0 1	-	0 1
	0 5	0 1	0 4

21 PROVISIONS AND DEFERRED CONSIDERATION

	Contingent consideration £m	Employee benefits £m	Onerous leases £m	Total provisions £m	Deferred consideration £m
At 1 January 2011	3 5	3 6	-	71	-
Movement during the year					
Disposal	-	(11)	-	(11)	-
Orion and MJV – deed of variation (Note 17)	(0 5)	-	-	(0 5)	0 5
Redwood – deed of variation (Note 17)	(1 7)	-	-	(1 7)	1 7
Paid during the year	(0 4)	(0 3)	(0 2)	(0 9)	(1 7)
Applied in settlement for new shares subscription (Note 17)	-	-	-	-	(2 5)
Reclassifications	-	-	0 9	0 9	(0 3)
Charged/(credited) to income statement	(0 9)	0 6	1 3	1 0	3 8
At 31 December 2011	-	**2.8**	**2.0**	**4.8**	**1.5**
Movement during the year					
Paid during the year	-	**(1.3)**	**(0.7)**	**(2.0)**	**(1 4)**
Charged/(credited) to income statement	-	**1.1**	**(0.3)**	**0.8**	**(0.1)**
Leased property reinstatement provision provided	-	-	**0.2**	**0 2**	-
At 30 December 2012	-	**2.6**	**1.2**	**3.8**	-
30 December 2012					
Current	-	**1.5**	**0.2**	**1.7**	-
Non-current	-	**1.1**	**1.0**	**2.1**	-
31 December 2011					
Current	-	1 6	11	2 7	1 5
Non-current	-	1 2	0 9	21	-

Employee benefits comprise long service leave benefits of £2,176,000 (2011 £2,299,000) and provision for paid leave of £407,000 (2011 £444,000) relating to the employees, including locums of the Australian operations

The onerous lease provision represents the future payments to which the Group is committed on properties which were vacated prior to 30 December 2012 The longest remaining lease term for any of the applicable properties expires on 30 April 2015 Due to the relatively short time frame and the amounts involved, the future payments have not been discounted as the impact would not be significant

22 DEFERRED TAXATION

	Tax losses £m	Intangible fixed assets £m	Other short term temporary differences £m	Total £m
At 1 January 2011	(0 3)	18 0	(3 4)	14 3
Arising on disposals	-	(4 3)	0 4	(3 9)
(Credited) / charged to income statement (Note 10)	(0 6)	(0 9)	01	(1 4)
Foreign exchange adjustment	-	0 2	-	0 2
At 31 December 2011	**(0.9)**	**13.0**	**(2.9)**	**9.2**
(Credited) / charged to income statement (Note 10)	**(0.7)**	**(5.6)**	**0 5**	**(5.8)**
Foreign exchange adjustment	-	**(0.2)**	**0.1**	**(0.1)**
At 30 December 2012	**(1.6)**	**7.2**	**(2.3)**	**3.3**

During the year as a result of the changes in the UK corporation tax rate to 24% which was substantively enacted on 26 March 2012 and was effective from 1 April 2012, and to 23% which was substantively enacted on 3 July 2012 and will be effective from 1 April 2013, the relevant deferred tax balances have been re-measured Deferred tax has therefore been calculated on UK and Australian temporary differences at 23% and 30% respectively (2011 25% and 30% respectively) In addition to the changes in rates of corporation tax disclosed above, further changes to the UK corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements The proposed reductions to the main rate of corporation tax are both expected to be enacted as part of the Finance Act 2013 The overall effect of these further changes if applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax liability by an additional £41,000 (2011 £48,000)

The analysis of the net deferred tax balance between deferred tax assets and deferred tax liabilities is as follows.

	30 December 2012 £m	31 December 2011 £m
Represented by deferred tax asset	-	-
Represented by deferred tax liability	3.3	9 2

There are unrecognised deferred tax assets in respect of the following items

	30 December 2012 £m	31 December 2011 £m
UK tax losses	5.5	4 3
Other UK short term temporary differences	-	0 2
Accelerated capital allowances	0.8	0 8
Australian capital losses	3.6	3 8
Total	9.9	91

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable The group did not recognise the deferred income tax assets disclosed above None of the tax losses have an expiry date

There are no temporary differences in relation to unremitted earnings of overseas subsidiaries

23 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise bank term loans, Zero Coupon Loan Notes, cash and interest rate swap agreements and trade and other receivables and payables Balances at the year-end for these financial instruments were as follows

	Monetary assets 30 December 2012 £m	31 December 2011 £m
Current financial assets:		
Trade and other receivables excluding prepayments	19.9	25 8
Cash and cash equivalents	9.3	14 2
Total current financial assets	29.2	40 0
Analysed by currency (GBP equivalent):		
Pound Sterling	18.4	26 0
Australian Dollar	10 8	14 0
	29.2	40 0

	Financial liabilities measured at amortised cost 30 December 2012 £m	31 December 2011 £m
Current financial liabilities.		
Trade and other payables excluding deferred income	18.5	22 2
Current portion of long term borrowings	1.3	0 9
Deferred consideration	-	1 5
Total current financial liabilities	19.8	24 6
Non-current financial liabilities:		
Long term borrowings	38.8	39 3
Total non-current financial liabilities	38 8	39 3
Analysed by currency (GBP equivalent):		
Pound Sterling	14.0	17 0
Australian Dollar	44.6	46 9
	58.6	63 9

	Derivative financial liability held at fair value through profit or loss 30 December 2012 £m	31 December 2011 £m
Derivative financial liabilities	1.7	1 7

23 FINANCIAL INSTRUMENTS (continued)

The Group s bank loans of A$60m (£38 5m) (2011 A$60m (£39 5m)) bear interest based upon Reuters quoted market bid rates at the time of draw down for the applicable draw down period plus a margin The bank loans are subject to terms and conditions which include quarterly mandatory prepayments from excess cash flow subject to adequate working capital continuing to be available which would accelerate the repayment schedule set out below under liquidity risk The Company is prohibited from paying dividends, under the terms of the Syndicated Facility Agreement, without the approval of its bankers

The Zero Coupon Loan Notes of nominal £10 2m (2011 £10 2m), which fall due in September 2021, bear no interest, but the loan note agreement provides for the issue of further Zero Coupon Loan Notes of up to £2 5m in nominal value if the Group achieves certain EBITDA and enterprise value targets (See below for information on the fair value attributed to the Zero Coupon Loan Notes and the embedded derivative)

It is and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken

The Group's activities expose it to a variety of financial risks market risk (including currency risk, fair value interest rate risk and cash flow interest risk) credit risk and liquidity risk The Board reviews and agrees policies for managing each of these risks and they are summarised below

(a) Market risk

(i) Foreign exchange risk
The Group had a term loan of A$60m outstanding as at 30 December 2012 (2011 A$60m) which exposes the Group to currency risk The loan has been held within the sub-group in Australia since the time of the Refinancing in September 2011 and so forms part of the A$ net assets of that sub-group The impact of movements of the exchange rate of the A$ against Sterling on net assets passes through the translation reserve

There is an A$ denominated inter-company loan account between Healthcare Locums plc and the Australian sub-group which gives rise to exchange gains and losses booked in finance costs in the Consolidated Statement of Comprehensive Income As at 30 December 2012 the amount of A$10 6m (2011 A$18 0m) was recorded as a receivable balance in Healthcare Locums plc At 30 December 2012 the rate of exchange was £1 = A$1 5562 (2011 £1 = A$1 5195)

As at 30 December 2012, 57% (2011 60%) of the total assets of the Group were held in subsidiary companies outside the UK and denominated in currencies other than Sterling, principally in A$ Group policy is not to hedge the net investments in foreign operations as it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques

If Sterling had been 10% stronger against the A$ during the year ended 30 December 2012 with all other variables held constant, the post tax loss for the year would have been £1 7m lower (2011 £0 9m higher)

If Sterling had been 10% stronger against the A$ during the year ended 30 December 2012, with all other variables held constant, the credit to other comprehensive income would have been £0 8m (2011 £1 1m higher charge)

(ii) Interest rate risk
Market risk also arises from the Group's use of interest bearing financial instruments which expose the Group to interest rate risk The Group finances its operations through a mix of equity bank debt and loan notes Interest rate risk arising due to the Group's borrowings in A$ at floating rates of interest is mitigated by agreement with the lenders, by interest rate instruments that generate a desired risk profile to manage the Group s exposure to interest rate fluctuations The Syndicated Facilities Agreement requires a hedge programme to be in place to convert part of the interest to fixed from floating rates At 30 December 2012 59 8% of the A$ floating rate (2011 67% of the A$ floating rate) interest exposure had been swapped to a fixed rate The hedge offers protection to the Group should A$ market interest rates move over 6 14% (2011, 6 14%) The last rollover of the A$ borrowings prior to the year-end was based on market rates of 3 18% (2011 4 47%)

Hedge accounting has not been applied to the swap instruments and therefore they are measured at fair value through profit and loss and a debit of £0 2m (2011 credit of £0 1m) has been made to the Consolidated Statement of Comprehensive Income to reflect the movement in the fair value of these instruments (Note 9) At 30 December 2012 no changes in fair values of financial instruments were recorded in equity (2011 none)

As of the close of business on 30 December 2012 interest rate exposure was limited to the unhedged 40 2% of the A$60m of borrowings (2011 33% of A$60m), i e on A$24 1m (£15 9m) (2011 A$20m (£13 2m)), offset by the cash balances of £9 3m (2011 £14 2m) which earn floating rate interest income The impact of a 1% change in interest rates is, therefore, not significant

(b) Credit risk

Credit risk arises principally from the Group's trade receivables and is the risk that the customer fails to discharge its obligations in respect of the instrument The Group's exposure to credit risk is considered to be insignificant due to the heavy weighting of its customer base in the UK towards NHS Trusts Local Authorities and other Government institutions and in Australia to public hospitals and health providers Private sector customers are subject to credit checking procedures prior to commencing trade with them The quality, and hence the low risk, of the customer base is also shown by the small amounts of overdue debt. None of the overdue balances of the Group are considered impaired

The Group transacts with counterparties which it considers to be creditworthy During the year ended 31 December 2011 surplus cash was deposited with Lloyds Bank plc Early in 2012, as noted in the liquidity risk section below, most of the surplus cash was moved to a Liquidity Fund managed by Scottish Widows (a member of the Lloyds Bank Group) which reduced the credit risk.

	Current	Up to 1 month overdue	1 to 2 months overdue	>2 months overdue
Trade debtors – 30 December 2012	**£15.0m**	**£2.6m**	**£0.3m**	**£nil**
% of trade debt per ageing category – 30 December 2012	**83.8%**	**14.5%**	**1.7%**	**0.0%**
Trade debtors – 31 December 2011	£171m	£2 9m	£1 7m	£0 3m
% of trade debt per ageing category – 31 December 2011	777%	13 2%	77%	1 4%

(c) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments The Board receives regular cash flow projections

Liquidity risk arises principally from the volume of revenue forecast and the potential for adverse outcomes in litigation

The factors considered by the Board in assessing going concern are set out in Note 3(c) and on page 14

In December 2011 the Board approved a Treasury Policy setting out, inter alia, how the short term cash resources should be managed Until then short term cash resources were deposited with Lloyds Bank plc Early in 2012 in accordance with the Treasury Policy, the Group opened a Liquidity Fund account managed by Scottish Widows, a subsidiary of Lloyds Banking Group plc Liquidity Funds provide instant access to the deposited funds The Liquidity Fund is rated AAA by S&P, whose rating criteria stipulates that a minimum of 50% of the portfolio should be composed of A-1+ (or equivalent) instruments in order for the fund to maintain a AAA rating The methodology S&P applies to calculate the A-1+ percentage counts A-1 (or equivalent) rated instruments maturing in seven days or less towards the A-1+ percentage minimums, as historical default rates on A-1 paper maturing within seven days are similar to the default rates of A-1+ issuers By using such Funds counterparty risk for the Group is reduced as the Fund invests in a wide range of counterparties

Gross, undiscounted liabilities are due as follows.

	Due within 1 year £m	Due in 1 to 2 years £m	Due in 2 to 5 years £m	Over 5 years £m
2012 Non-derivative financial instruments – outflows				
Long and short term borrowings	**4.9**	**10.3**	**31.1**	**10.2**
Finance leases	**0 1**	-	-	-
Trade and other payables excluding deferred income	**18.5**	-	-	-
	23.5	**10.3**	**31.1**	**10.2**
Derivative financial instruments – net outflows	-	**1.7**	-	-
Total	**23.5**	**12 0**	**31.1**	**10.2**
2011 Non-derivative financial instruments – outflows				
Long and short term borrowings	4 8	7 3	37 3	10 2
Finance leases	0 4	0 1	-	-
Trade and other payables excluding deferred income	22 2	-	-	-
Deferred consideration	1 5	-	-	-
	28 9	7 4	37 3	10 2
Derivative financial instruments – net outflows	-	-	1 7	-
Total	28 9	7 4	39 0	10 2

The above tables summarise undiscounted cash flows based on the financial liabilities of the Group outstanding at the year-end and assuming no changes in interest rates from the year-end rates There are no financial liabilities payable on demand

Fair value estimation·

In the opinion of the Board, the carrying amount of the financial assets and liabilities of the Group approximate their fair values. As noted above, the only other financial instruments that are measured at fair value through profit and loss are interest rate swaps There are no financial assets or liabilities held for trading purposes or any investments classified as available-for-sale

£10,212,500 of Zero Coupon Loan Notes were issued to Ares Lux as part of the Refinancing in September 2011 They are repayable in normal circumstances in September 2021, or earlier in the event of another refinancing or a change of control of the Group The Directors have discounted the Zero Coupon Loan Notes at 15%, a rate between the cost of the Group's senior debt and the cost of equity immediately after the Refinancing to give a fair value at the time of issue of £2,505,115 The imputed interest is charged to finance expenses from the date of issue until the repayment date The charge in the year ended 30 December 2012 was £392 754 (2011 £113,245) The Loan Notes contain an embedded derivative as additional Loan Notes, up to a maximum value of £2,500,000, will be issued if the Group achieves certain EBITDA

23 FINANCIAL INSTRUMENTS (continued)

Fair value estimation. (continued)

targets in the years ended 31 December 2013 and/or 2014 or if the Enterprise Value at 31 December 2013 and/or 31 December 2014 and/or 31 December 2015 exceeds certain target amounts No value has been attributed by the Directors to the embedded derivative at the time of issue, at 31 December 2011 or at 30 December 2012 as the Directors believe it is unlikely that these targets will be met

The fair value of interest rate swaps is based on information derived from respective bankers' quotes and as such they fall into Level 2 of the fair value hierarchy The fair value of the Zero Coupon Loan Notes is based on management judgement and as such falls into Level 3 of the fair value hierarchy

Capital risk management

The Group considers its capital to comprise its ordinary share capital, share premium, and accumulated retained earnings In managing its capital the Group's long-term objective is to ensure its continued ability to provide a growing return for its equity shareholders through a combination of capital growth and distributions

The facilities provided by the Group s bankers originally included a number of financial covenants During 2012 the financial covenants were renegotiated and the previous covenants relating to interest cover and leverage (debt to EBITDA) were replaced by covenants relating to EBITDA targets The first testing of the covenants was at 30 December 2012 and the Group passed the test The subsequent covenant test, which would have taken place at the end of March 2013 was cancelled as one of the changes to the Syndicated Facility Agreement agreed prior to the announcement of the bid by Angel Acquisitions Limited New covenants relating to EBITDA targets are now in place and the first testing will take place at 29 December 2013

24 2011 REFINANCING

On 19 August 2011 the Board announced a substantial Refinancing of the Company, comprising a £60 000 000 Placing of Ordinary Shares of 10p each at par an Open Offer of up to £4,250 579 of Ordinary Shares of 10p each at par, a Debt for Equity Conversion and a Debt Repayment and Restructuring (together the "Refinancing")

The Refinancing was conditional on the approval of the Refinancing Resolutions by Shareholders in General Meeting, and the Refinancing Resolutions were all passed at the General Meeting held on 12 September 2011

On 13 September 2011 the shares of the Company were re-listed on the AIM, following the suspension of trading on 25 January 2011, and 734,450,971 new shares were admitted to trading on the AIM

Whilst the Refinancing occurred in 2011 it had an impact on many disclosures in the Notes to the Financial Statements for the year-ended 31 December 2011 Consequently it impacts on many of the comparative prior period Notes to these Financial Statements and in order to present a full and clear picture to shareholders, full disclosures of the details of the Refinancing are reported again this year

There were a number of steps within the Refinancing and these are described in more detail below

(a) New shares issued

The following new shares were issued as part of the Refinancing	Number
£60,000,000 Placing of New Ordinary Shares of 10p each	600,000,000
Debt for Equity swap by way of issue of Ordinary Shares at 18p to Ares Capital Europe (Luxembourg) Sarl	125,000,000
Open Offer of up to £4,250,579 New Ordinary Shares of 10p each	9,450,971
Total number of New Ordinary Shares issued	734,450,971

(b) Utilisation of the proceeds of the Placing

The Placing raised £60,000,000 which was utilised as follows	£
Repayment of existing bank debt	35,000,000
Settlement of debt owed to Craig Tibbles (i)	2,500,000
Commission to Toscafund Asset Management LLP(ii)	1,137,500
Commission to ACE Limited (iii)	200,000
Working capital facility fee to ACE Limited (iv)	250,000
Settlement of working capital facility capital and accrued interest due to Ares (iv)	3,017,540
Nomad fees to Fairfax	710,920
Cash received – available to pay costs and professional fees	17,184,040
Total	`60,000,000

(i) The Company and Craig Tibbles agreed, subject to completion of the Refinancing, to restructure the two deferred consideration payments of £2,000,000 and £3,000,000 payable by the Company to Craig Tibbles under the terms of the acquisitions of Orion Locums Limited and MJV Locums Limited in 2010 One element of the agreement was that £2,500,000 be released by way of subscription by Craig

Tibbles for 25,000 000 New Ordinary Shares under the Placing He agreed not to sell any of the New Ordinary Shares purchased for a period of 12 months after the date of the Refinancing

(ii) The Company agreed to pay Toscafund Asset Management LLP a commission of £1,137,500 for participating in the Placing, in which Toscafund Asset Management LLP agreed to subscribe for 336,375,000 New Ordinary Shares The commission was considered to be within the range of normal market rates for a transaction of this type The cost is included in the £2 3m share issue costs per Note 24(i) below)

(iii) The Company agreed to pay ACE Limited, a member of the Ares concert party (as defined in the Circular to Shareholders dated 19 August 2011), a commission of £200,000 for participating in the Placing, in which ACE Limited agreed to subscribe for 131,625,000 New Ordinary Shares The commission was considered to be within the range of normal market rates for a transaction of this type The cost is included in the £2 3m share issue costs per Note 24(i) below)

(iv) The Company negotiated an Interim Working Capital Facility of up to £5,000,000 with ACE Limited on 19 August 2011 The arrangement fee of £250 000 for the facility, which was made available until the earlier of the Refinancing or 17 October 2011 was agreed to be repaid by way of set-off against subscription monies payable by ACE Limited in the Placing In addition the Company agreed to repay ACE Limited all capital and accrued interest drawn, amounting to £3,017,540, under the Interim Working Capital Facility by way of set-off against subscription monies payable by ACE Limited in the Placing The arrangement fee was expensed in finance costs (Note 9)

(c) *Debt for Equity Swap with Ares Capital Europe (Luxembourg) S a r l ("Ares Lux")*

Ares Lux provided finance to the Company through a Mezzanine Facility Agreement, as part of the financing raised to acquire HCA in December 2010 and agreed subject to the Admission of New Ordinary Shares to the AIM and subject to the terms of the Restructuring Agreement to convert up to £22 400 000 of capital and accrued interest into 125,000,000 New Ordinary Shares This was the same in economic terms as Ares Lux subscribing £12 500 000 for New Ordinary Shares at par and writing off up to £9 900 000 of capital and accrued interest At the date of completion of the Refinancing the actual amount due to Ares Lux, excluding the £10,212,500 referred to in (e) below, was £22,396,586 As noted below the fair value of the New Ordinary Shares issued to Ares Lux was 10p per share, or £12,500,000 in total The difference between the fair value of the shares issued and the amount of principal and accrued interest outstanding under the Mezzanine Facility Agreement, being £9,896,586, was recorded as a gain in Finance Income (Note 9)

(d) *Utilisation of the proceeds of the Open Offer*

The Open Offer raised £945 097 which was utilised as follows	£
Registrar's fees	**18,551**
Cash received	**926,546**
Total	**945,097**

(e) *Debt for Zero Coupon Loan Note ("Note" or "Notes") Swap with Ares Lux*

Ares Lux agreed, subject to the same conditions as in (c) above, to convert £10,212,500 of the debt owed to it by the Company under the Mezzanine Facility Agreement into Notes, for a principal amount of £10,212,500. If the Group achieves certain EBITDA or Enterprise Value targets or if certain conditions are met, the Company will be obliged to issue additional Notes to the holders The maximum number of new Notes to be issued is £2 500,000 The Notes do not accrue interest and they fall due for repayment on 30 September 2021 except in certain circumstances relating to a change in control of the Group or a further refinancing in which case the redemption date may be brought forward As disclosed in Note 23 the fair value of the Notes at the date of issue was £2,505,115 and the gain of £7,707,385 is reported in finance income (Note 9) A finance expense is being recognised in the Consolidated Statement of Comprehensive Income post the date of issue which will increase the liability to the full value of £10,212,500 by 30 September 2021 For the period from issue to 31 December 2011 the amount of the charge was £113,245

(f) *Waiver of existing bank debt*

The banks agreed to waive debt existing immediately prior to the Refinancing amounting to capital of £5,941,826 and accrued interest of £564 605 and these amounts were credited to Finance Income (Note 9)

(g) *Write off of capitalised bank fees*

Fees incurred in negotiating bank facilities are recorded in the Consolidated Statement of Financial Position as a reduction of the total borrowings and written off to the Consolidated Statement of Comprehensive Income over the term of the facility As part of the Refinancing, drawings under the existing facilities were either extinguished or modified Where facilities were extinguished the balance of unamortised fees were written off to Finance Expense Where modified the appropriate proportion of unamortised fees were carried forward in the Consolidated Statement of Financial Position to be written off over the term of the modified facilities The amount of £4,380,402 was written off to Finance Expense (Note 9)

(h) *Costs*

Advisers' fees totalling £5,556,819 were incurred in negotiating the Refinancing Of these costs £2,472,116 was paid to the advisers to the Company and the Company also paid £3,084,703 of costs incurred by the banks All of these costs have been charged to Finance Expense (Note 9)

(i) *Share issue costs*

Costs of £2,315,194 were incurred which were directly related to the issue of shares in the Refinancing As no share premium was created from the issue of those shares the cost has been charged to the Profit and Loss Reserve

24 2011 REFINANCING (continued)

(j) *Modified loans*

Modified loans of A$60,000,000 (£38.9m) were drawn by HCA under the SFA, although no additional cash actually came into the Group The loans are secured by a charge on the assets of the Group Details of the terms of the loans are set out in Note 23. Costs directly attributable to the raising of the loans amounting to £672,134, were debited to unamortised debt issue costs within borrowings (Note 20)

(k) *Warrants*

Under the terms of the Mezzanine Facility granted by Ares Lux in 2010 the Company granted Ares Lux warrants over 2,493,453 shares in the Company at an exercise price of 10p per share The warrants lapsed as part of the Refinancing and £2 6m was charged to Finance Expense (Note 9)

Based on the price paid for new shares in the Placing and the Open Offer, and the prices in the open market immediately after the shares were relisted, the Directors consider the fair value of the shares issued in exchange for debt to be 10p each

25 SHARE CAPITAL

Authorised

	30 December 2012 Number '000	31 December 2011 Number '000	30 December 2012 £m	31 December 2011 £m
Equity share capital				
Ordinary shares of 10p each	**847,799**	847,799	**84.8**	84 8

Allotted, called up and fully paid

	30 December 2012 Number '000	31 December 2011 Number '000	30 December 2012 £m	31 December 2011 £m
Equity share capital				
Ordinary shares of 10p each	**847,799**	847,799	**84.8**	84 8

The movements in the issued share capital are set out below

	Ordinary shares of 10p Number '000	£m
As at 1 January 2011	113,338	11 3
Shares issued in year (i)	10	-
New ordinary shares issued on 13 September 2011 (Note 24)	734,451	73 5
As at 31 December 2011 and 30 December 2012	**847,799**	**84.8**

(i) During 2011 the Registrars issued a share certificate for an incorrect number of shares, and the purchaser subsequently sold the shares The Registrars paid the Company 20p per share, after the December 2011 year-end, in settlement

26 RESERVES

The share premium account represents amounts subscribed for share capital in excess of the nominal value of the shares issued

The share option reserve represents the fair value of warrants issued to ACE Limited in connection with the mezzanine facility taken out in 2010 and share options granted to employees The warrants lapsed on the 2011 Refinancing when the mezzanine facility was extinguished

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations that are integral to the operations of the Group

The retained earnings represent the cumulative profit or loss recognised in the Consolidated Statement of Comprehensive Income, as adjusted for subsequent transfers to or from other reserves

27 CONTINGENT LIABILITIES

Claims and litigation

From time to time the Group and Company are in receipt of claims from customers and employees arising in the normal course of business

The following disclosures are made in connection with claims or exposures which the Directors consider could represent material uncertainties

Dismissal of Executive Vice Chairman - Ms. Kate Bleasdale

The former Executive Vice Chairman was dismissed on 11 March 2011 She subsequently launched legal proceedings against the Company for unfair dismissal, victimisation and sex discrimination, claiming damages of £12m. An Employment Tribunal was held in April 2012 and all Ms Bleasdale's claims failed and her dismissal was held to be non-discriminatory and fair Legal costs of defending the claim were expensed as incurred

Ms Bleasdale subsequently asked the Employment Judge for a review of the decision but after consideration this review application failed

Ms Bleasdale has now made an appeal application to the Employment Appeal Tribunal ("EAT") Last year the EAT rejected her appeal application following its own initial review of the papers Ms Bleasdale has since asked for a preliminary hearing before an EAT judge in which she will seek to have this rejection overturned and her appeal proceed to a full hearing before the EAT This should be heard and decided upon within the next few weeks On the basis of legal advice received and the judgements to date the Board believes the claims are unfounded and therefore there is no liability or probable cash outflow for the Group, other than legal costs in defending the appeal, if her application for a full appeal hearing should be successful

Litigation - Permian et al

Proceedings were filed on 12 February 2012 against Healthcare Locums plc, the Company's former Executive Vice Chairman Kathleen V Bleasdale, former Group Finance Director Diane Jarvis and former Chairman Alan Walker ("the Defendants") in the United States District Court for the Southern District of New York (the US Federal Court) The proceedings were filed by Permian Master Fund, LP, Permian Investments Partners, LP Arundel Capital LLC, Arundel Long Fund LP, Arundel Hedge Fund LP, Privet Capital, LLC and Flinn Investments, LLC ("the Plaintiffs")

The Summons alleged that the Plaintiffs were induced to invest in and/or retain securities issued by HCL or instruments linked to those securities on the basis of knowing or reckless misrepresentations by the Defendants concerning the Company s accounting practices and operating results The Complaint alleged that, as a consequence, the Plaintiffs had suffered substantial damages by virtue of the suspension of the shares and the substantial decline in the prices of HCL securities and instruments linked thereto

On 26 March 2012 notice was received that the claims against Kathleen V Bleasdale had been dismissed without prejudice In June 2012 the Company learned that the proceedings had been dismissed voluntarily by the Plaintiffs No prior notice was given to the Company and no explanation has been given by the Plaintiffs as to their reasons for seeking voluntary dismissal

In July 2012 proceedings were commenced, in substantially the same form, against Healthcare Locums plc, Alan Walker and Diane Jarvis, in the Supreme Court of the State of New York (the New York State Court)

The Complaint requests a trial by jury and the Plaintiffs seek rescission and or compensatory damages (including interest thereon) Whilst the information provided is insufficient to enable the Board to assess the quantum of the compensatory damages claimed, the Plaintiffs seek to assert a loss in the value of their investments and assert that they spent in the region of £13m purchasing their investments The Plaintiffs also seek an award for punitive damages for each claim to the maximum extent allowable by US law together with an award of costs and such other relief as the US Court may deem just and proper The Board are unable to quantify this further element of the claim

The Company has been advised by English Leading Counsel and by Australian Counsel that if the Plaintiffs continue the US proceedings and secure a default judgment it is highly unlikely that any judgment would be recognised or enforceable in either the UK or Australia because of lack of jurisdiction in the US In arriving at that conclusion, regard was had (amongst other things) to the following

a) The Company was incorporated in England with its shares listed and traded on AIM, a part of the London Stock Exchange
b) Its actions were governed by English law and the listing and trading of its shares on the London Stock Exchange were regulated by the rules of that exchange
c) The former directors named as defendants in the proceedings were directors of an English company and their powers, duties obligations and liabilities were regulated by English law
d) None of the former directors is resident in the US
e) The subject matter of the alleged acts related to events in England.
f) At the time the proceedings were issued, the Company did not operate in the US and had no assets in the US

Having considered the matter very carefully with the Company's legal advisors the Board decided in August 2012 that the Company would not submit to the US jurisdiction by filing a defence

Accordingly our legal advisors wrote in August 2012 to the Plaintiffs' US counsel confirming that the Company did not propose to respond to the US proceedings and informing them that, if they wished to pursue a claim, they should do so in the proper forum, namely, the English High Court of Justice The Plaintiffs' US counsel were also informed that the Board considered the underlying claim to be wholly without merit and that if proceedings were commenced in the proper forum they would be strenuously defended

Potential claim - Ms. Kate Bleasdale

On 16 April 2013 the Board received a letter from solicitors instructed by Ms Bleasdale the former Executive Vice Chairman of the Company giving notice of a potential claim pursuant to section 994 of the Companies Act 2006. The letter alleged that Ms Bleasdale's position as a shareholder of HCL had been unfairly prejudiced by virtue of the events that led to the suspension of trading in HCL's shares in January 2011 and the subsequent restructuring in September 2011

Amongst other things, Ms Bleasdale claimed

a) She was not responsible for the events that led to the financial misstatements
b) The Board's decision in January 2011 to suspend trading in the Company's shares was unreasonable and unnecessary

27 CONTINGENT LIABILITIES (continued)

Potential claim - Ms. Kate Bleasdale (continued)

c) The refinancing plan favoured the larger shareholders at the expense of smaller shareholders

d) In supporting the refinancing plan, the Board acted unreasonably and contrary to the interests of the Company and, in particular, failed to consider and/or pursue alternative refinancing options

As a result of these actions, Ms Bleasdale asserted that HCL should purchase her current shareholding at a price of £1 12 per share being the share price immediately prior to its suspension in January 2011, a cost of approximately £2 24m

Having taken legal advice, the Board considers that Ms Bleasdale's claim is wholly without merit and the Company's legal advisers have written to Ms Bleasdale's solicitors explaining why that is the case In this response it was noted that

a) The factual account set out by the solicitors for Ms Bleasdale is not consistent with the overall findings of the Employment Tribunal that heard her unsuccessful claim for unfair dismissal discrimination and whistle blowing

b) The Company had no alternative but to suspend the shares given the discovery of serious financial irregularities and the suspension of two of its senior executives

c) There were no other realistic alternatives to the refinancing proposal put forward

d) The issue of whether there were realistic alternatives to the refinancing proposal was also subject to vigorous debate at the General Meeting held on 12 September 2011 Ms Bleasdale and her associates attended that meeting and were given ample opportunity to put forward opposing arguments Having done so, the shareholders nevertheless voted in favour of the restructuring plan

The Company is confident of its position in respect of these claims and no provision has been made in the financial statements for future legal costs or for any settlement or adverse determination arising from this litigation

Other contingent liabilities

Managed service and Umbrella companies

The Board has taken external advice from Grant Thornton as to whether any financial exposure might exist from sourcing locums through "Umbrella" and/or Managed Service Companies HCL has recruited through a small number of companies which Her Majesty's Revenue & Customs ("HMRC") could seek to argue were Managed Service Companies If such arguments were successful this could leave the Group at risk of claims from HMRC for unpaid Income Tax and/or National Insurance should a Managed Service Company become insolvent with debts owing to HMRC in respect of locums who had worked through HCL Whilst the Board is unaware of any Umbrella Company being in arrears with payments to HMRC in respect of any locums provided from such companies, a residual risk remains

The company operates self-billing arrangements for a large part of the locum workforce which enables the group to obtain a VAT deduction but which requires the supplier to account for VAT accordingly There are a number of requirements associated with the operation of self-billing arrangements to obtain the VAT deduction Should these requirements not be met there may be a contingent liability in respect of the VAT deduction claimed

As well as the specific material contingent liabilities set out above, the Group's principal risks and uncertainties are set out in the statement on Principal Risks and Uncertainties on page 15

28 PENSIONS

The Group operates defined contribution pension schemes in the UK and Australia There were no outstanding or prepaid contributions at either the beginning or end of the financial year

29 COMMITMENTS UNDER OPERATING LEASES

As at 30 December 2012 the Group had total commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	30 December 2012 £m	31 December 2011 £m	**30 December 2012 £m**	31 December 2011 £m
Operating Lease commitments payable:				
Under 1 year	**2.6**	1 4	**0.2**	0 1
1-2 years	**2.5**	2 1	**0.1**	-
2-5 years	**4.8**	3.2	**0.1**	-
Over 5 years	**3.1**	2 9	**-**	-
	13.0	9 6	**0.4**	0 1

The leases on land and buildings range from one year and nine months to nine years and five months in length The operating leases described as "other" are mainly for cars and normally have a lifetime of three years

30 RELATED PARTY TRANSACTIONS

One Director who served during the year Bill Jessup who was Interim Chief Financial Officer until 19 April 2012, provided his services through his management company Corporate Navigator Limited The amounts paid to the company for services provided are included in Note 6 In addition, expenses directly incurred in providing his services were billed through the company

During 2012, and 2011 the law firm SNR Denton provided legal services to the Group Mark Andrews, who joined the Board on 1 October 2011, was a Partner in SNR Denton until 30 April 2011 and remains a Consultant Whilst SNR Denton was not a related party at any time in the year or the prior year the Board considers the prior business relationship with SNR Denton, before Mark Andrews joined the Board, should be noted here for completeness.

Under the rules of the Alternative Investment Market a shareholder controlling in excess of 10% of the issued share capital is a related party The Toscafund Concert Party was a related party throughout 2012 and for part of 2011 During 2011 the Company paid fees of £1,137,500 to Toscafund Asset Management LLP as disclosed in Note 24(b)(ii) The Toscafund Concert Party subscribed for 336,375 000 New Ordinary Shares in the Placing a part of the 2011 Refinancing paying £33,637 500 The Ares concert party became a related party when the 2011 Refinancing was completed Concurrently to the completion of the 2011 Refinancing the Company paid fees of £200,000 to ACE Limited as disclosed in Note 24(b)(iii) swapped debt for equity as disclosed in Note 24(c) and swapped debt for the Zero Coupon Loan Note as disclosed in Note 24(e) Ares also subscribed for 131,625,000 New Ordinary shares in the Placing partially paid for by writing off £3 0m of borrowings advanced under a Working Capital Facility The Zero Coupon Loan Note was still held by Ares Lux at 30 December 2012 at which time the fair value in the Consolidated Statement of Financial Position was £3,011113 (2011 £2,618,360)

MyWorkforce Limited, Nationwide Accreditation Bureau Company Limited Montagu Nursing Agencies Limited, Dancorp Limited and Netengines Holdings Limited were related parties to the Group for part of 2011 by virtue of a significant shareholder of the Company and husband of Ms Kate Bleasdale, Mr John Carlss, owning the majority of the share capital of these companies The only transactions with any of the above companies in 2011 were the settlement of the amounts outstanding at 31 December 2010 of £52,000 to Nationwide Accreditation Bureau Company Limited and £65,000 to Redwood Group Limited

On 24 January 2011 the Company assigned the lease, which expires on 23 January 2020, of an office in London to Cardale Investments LLP, a company controlled at one time by Ms Kate Bleasdale (a Director of Healthcare Locums plc until 23 February 2011) and her husband Mr John Carlss There was a rent free period until 23 June 2011 included within the agreement and the office furniture, fixtures and fittings, with a carrying amount of £20,000 that were owned by the Company were transferred free of charge to Cardale Investments LLP

The key management personnel whose costs are disclosed in Note 6, being Directors of the Company are considered to be related parties Note 6 includes all the relevant disclosures of those related party costs

31 SHARE OPTION SCHEME

The Company has a share option scheme in place The share options in issue over ordinary shares of 10p as at 30 December 2012 were as follows

Issue date	1 January 2012 No '000	Granted No '000	Exercised No '000	Forfeited No '000	30 December 2012 No '000	Exercise price (pence)	Expiry date
April 2005	4	-	-	(4)	-	10 00	Apr 2015
May 2008	72	-	-	(24)	48	112 50	May 2018
December 2010	100	-	-	-	100	98 50	Dec 2020
Total	176	-	-	(28)	148		

The vesting period for share options issued during 2005 is one year The vesting period for all share options issued since 2006 is three years None of the share options issued contains any performance criteria parameters, and all are equity settled

The total number of share options exercisable at 30 December 2012 was 48,200 (2011 75,495). The weighted average exercise price at 30 December 2012 was 112 5p (2011 1071p).

No share options were granted or exercised in 2012 or 2011 At no time during 2012 was the share price above the lowest option price The highest closing price in 2012 was 4 3p on 7 February and the average closing price in 2012 was 2.5p The weighted average share price of options forfeited in 2012 was 97 9p At the times the share options were forfeited during 2011 the Company's shares were suspended from trading on the AIM The mid-market closing price immediately prior to the suspension was 112 5p

For the remaining share options, the weighted average remaining contractual life of these options is 86 months (2011 94 months) and the weighted average exercise price was 103 0p (2011 102 2p)

In respect of these share-based payments a charge has been debited to the profits of the Group and the Company for the year of £14,000 (2011 credit of £508,000)

31 SHARE OPTION SCHEME (continued)

Comparative information for 2011 is as follows

Issue date	1 January 2012 No '000	Granted No '000	Exercised No 000	Forfeited No '000	30 December 2012 No '000	Exercise price (pence)	Expiry date
April 2005	120	-	-	(116)	4	10 00	Apr 2015
August 2006	583	-	-	(583)	-	59 00	Aug 2016
December 2007	1 000	-	-	(1 000)	-	89 50	Dec 2017
May 2008	766	-	-	(694)	72	112 50	May 2018
September 2008	1 000	-	-	(1,000)	-	124 00	Sep 2018
September 2009	450	-	-	(450)	-	207 00	Sep 2019
December 2010	100	-	-	-	100	98 50	Dec 2020
Total	4,019	-	-	(3,843)	176		

32 POST BALANCE SHEET EVENTS

Change of Ownership and Refinancing

In April 2013 Angel Acquisition Limited ("Angel Acquisitions") made an offer to acquire all the Company's ordinary shares it had not already acquired or agreed to be acquired This offer is due to close on 5 June 2013 (unless the offer is extended further) Angel Acquisitions already holds over 92% of the Company's share capital

Before Angel Acquisitions formally announced that it was making an offer to acquire the Company's ordinary shares the Company, Angel Acquisitions Angel Acquisitions' owners (Ares Capital Europe Limited, ACE Equity Holdco Cayman Limited and Tosca Opportunity), the Company's banks and the holders of the Company's Zero Coupon Loan Notes 2021 (Ares Lux) entered into various agreements dealing, inter alia, with the refinancing of the Company Under these agreements, following the successful completion of the offer and the de-listing of the Company's shares from the Alternative Investment Market of the London Stock Exchange on 3 June 2013, the following occurred

- the Company issued £5m of 8% Loan Notes 2021 to Angel Acquisitions in return for £5m cash,
- the terms of the Funding Commitment Letter under which the Company may draw down up to a further £5m from Angel Acquisitions by issuing further 8% Loan Notes 2021 became effective,
- agreed amendments to the Senior Facilities Agreement with the banks became effective,
- agreed amendments to the terms of the Zero Coupon Loan Notes 2021 became effective, and
- £51m nominal of the Zero Coupon Loan Notes 2021 were replaced with £51m of the 8% Loan Notes 2021

Further details of these changes are set out in the Refinancing section of the Financial Review on page 13

Ms. Kate Bleasdale

On 16 April 2013 the Company received a letter from solicitors instructed by Ms Bleasdale, the former Executive Vice Chairman of the Company, giving notice of a potential claim pursuant to section 994 of the Companies Act 2006 Details of this claim and the Company s response to it are set out in Note 27

Parent Company Balance Sheet
As at 30 December 2012

	Notes	30 December 2012 £m	31 December 2011 £m
ASSETS			
Fixed assets			
Intangible assets	35	**0.5**	0.3
Property, plant and equipment	36	**0.4**	0.5
Investments	37	**5.6**	7.5
		6.5	8.3
Current assets			
Trade and other receivables	39	**46.5**	63.9
Cash and cash equivalents		**5.2**	11.0
		51.7	74.9
Total assets		**58.2**	83.2
LIABILITIES			
Current liabilities			
Trade and other payables	40	**(24.2)**	(22.5)
Deferred consideration	41	**-**	(0.9)
Provisions for liabilities	41	**(0.2)**	(0.8)
		(24.4)	(24.2)
Total assets less current liabilities		**33.8**	59.0
Creditors, Amounts falling due after more than one year			
Zero coupon loan note	42	**(3.0)**	(2.6)
Provisions for liabilities	41	**(0.9)**	(1.1)
		(3.9)	(3.7)
NET ASSETS		**29.9**	55.3
CAPITAL AND RESERVES			
Share capital	43	**84.8**	84.8
Share premium account	44	**55.2**	55.2
Share option reserve	44	**1.2**	1.2
Retained earnings	44	**(111.3)**	(85.9)
SHAREHOLDERS' FUNDS		**29.9**	55.3

The Notes are an integral part of these Financial Statements

The Financial Statements of Healthcare Locums plc, registered number 04736913, were approved and authorised for issue by the Board of Directors on 4 June 2013 and were signed on its behalf by

Stephen Burke
Chief Executive Officer

Sue Bygrave
Chief Finance Officer

Notes to the Parent Company Financial Statements

33 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Statements have been prepared under the historical cost convention and are in accordance with UK Generally Accepted Accounting Principles

The policies adopted are consistent with those applied in the preparation of the audited accounts for the year ended 31 December 2011 The following principal accounting policies have been applied

(a) Turnover

Turnover represents the amounts earned from the provision of services to external customers during the reporting period – the time of provision of services being the point at which the amount of revenue can be measured reliably and when it is probable that the economic benefits will flow to the Company Turnover is stated at invoiced amounts less value added tax or local taxes on sales, plus revenue earned but unbilled which is included as accrued income in receivables

- Turnover from temporary placements which represents revenue for the services of temporary staff, is recognised when the services have been provided Turnover includes the salary costs of the temporary staff unless paid directly by the client in which case turnover represents commission only
- Turnover from permanent placements is recognised at the date when a candidate commences work Appropriate provision is made for the expected cost of meeting obligations where employees do not work for the specified contractual period

(b) Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all intangible and tangible fixed assets, evenly over their expected useful lives It is calculated at the following rates

Improvements to leasehold buildings	– Term of lease
Office and computer equipment	– 3 to 8 years
Computer software	– 3 to 5 years

(c) Taxation

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted, or substantively enacted, by the balance sheet date

In accordance with FRS 19 deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

(d) Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment

(e) Goodwill

Purchased goodwill in respect of the acquisitions of trade and assets of a business is capitalised Goodwill is amortised to nil by equal annual instalments over its estimated useful life

(f) Impairment

The Directors carry out impairment reviews annually or whenever an indication of impairment has been identified Impairment charges are recorded in the Profit and Loss account

The valuation of investments in subsidiary undertakings is calculated by reference to estimated future cash flows of the relevant company discounted using an appropriate, risk adjusted, rate

For the year ended 31 December 2011 the Company made estimates that are more fully described in Note 37

(g) Leased assets

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 as amounts payable to the lessor Depreciation on 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

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.

(h) Foreign exchange

Turnover generated and costs incurred by the Company in a currency other than the currency of the primary economic environment in which it operates is recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are retranslated at the rates ruling at each balance sheet date Exchange differences arising are recognised immediately in the Profit and Loss account

(i) Share-based employee remuneration

The Group operates an equity-settled share-based compensation plan When share options are awarded to employees a charge is made to the Profit and Loss account recognising the fair value of the options issued over the vesting period The options vest after a specific period (3 years for options issued in 2006 to 2010, 1 year for options issued earlier) There are no other vesting conditions, other than that the options lapse should the employee leave the Group The cumulative expense is adjusted for failure to achieve non-market vesting conditions, such as an employee leaving

Management charges are levied on subsidiary undertakings which take into account the share-based compensation plan charges or credits

The credit entry for this charge is taken to the share option reserve and reported in the reconciliation of movements in shareholders' funds

(j) Pension costs

Contributions to the Company's defined contribution pension scheme are charged to the Profit and Loss account in the year in which they become payable

(k) Financial instruments

The Company uses interest rate swap instruments to manage the Group s interest rate risk These financial instruments are not recognised on the Balance Sheet of the Company Receipts or payments resulting from these interest rate instruments are accounted for within Profit and Loss in the period during which the receipts or payments arise

(l) Deferred and contingent consideration

Acquisitions are initially booked at cost, including an estimate of any payments to be made at a later date as either deferred or contingent consideration Deferred consideration is fixed and contingent consideration is normally dependant on the achievement of certain future targets by the acquired business The deferred and contingent consideration amounts, including the movements during the year, are reported in detail in Note 17 Changes to deferred or contingent consideration, whether due to variation agreements or changes in estimate relating to the likely achievement of future targets, are reflected in additions to or reductions in the cost of the investment

(m) Provisions and contingent liabilities

The Group policy for provisions and contingent liabilities as set out in Note 3(q), applies equally to the Company which has the same policy

34 LOSS FOR THE YEAR

The loss after tax for the year dealt with in the financial statements of the Company amounts to £25 4m (2011 £6 1m) As allowed by the provisions of Section 408 of the Companies Act 2006 the Company has not published its own Profit and Loss account

35 INTANGIBLE ASSETS

	Purchased Goodwill £m	Computer software £m	Total £m
Cost:			
At 1 January 2011	2 7	-	2 7
Additions	-	0 2	0 2
Reclassification	-	5 9	5 9
Disposals	-	(5 6)	(5 6)
At 31 December 2011	**2.7**	**0.5**	**3.2**
Additions	-	**0.5**	**0.5**
Written off	**(2.7)**	-	**(2.7)**
Reclassification (a)	-	**(0 2)**	**(0.2)**
At 30 December 2012	-	0 8	0.8
Amortisation.			
At 1 January 2011	2 7	-	2 7
Provided for the year	-	0 1	0 1
Reclassification	-	5 7	5 7
Disposals	-	(5 6)	(5 6)
At 31 December 2011	**2.7**	**0.2**	**2.9**
Provided for the year	-	**0.1**	**0.1**
Written off	**(2.7)**	-	**(2.7)**
At 30 December 2012	-	**0.3**	**0.3**
Net book value			
At 30 December 2012	-	**0.5**	**0.5**
At 31 December 2011	-	0 3	0 3

(a) During 2012 the cost of certain assets previously capitalised, but not brought into use was reclassified as a prepayment

36 PROPERTY, PLANT AND EQUIPMENT

	Improvements to leasehold buildings £m	Office and computer equipment £m	Total £m
Cost:			
At 1 January 2011	0.4	6 6	7 0
Additions	-	0 2	0 2
Reclassification	-	(5 9)	(5 9)
Disposals	-	(0 1)	(0 1)
At 31 December 2011	**0.4**	**0.8**	**1.2**
Additions	**0.1**	**0.1**	**0 2**
Disposals	**(0.2)**	**(0 2)**	**(0.4)**
At 30 December 2012	**0.3**	**0.7**	**1.0**
Depreciation·			
At 1 January 2011	0 1	6.3	6 4
Provided for the year	-	0 1	0 1
Reclassification	-	(5 7)	(5 7)
Disposals	-	(0 1)	(0 1)
At 31 December 2011	**0.1**	**0.6**	**0 7**
Provided for the year	-	**0.1**	**0.1**
Disposals	**(0.1)**	**(0.1)**	**(0.2)**
At 30 December 2012	-	**0 6**	**0.6**
Net book value:			
At 30 December 2012	**0.3**	**0.1**	**0.4**
At 31 December 2011	0 3	0 2	0 5

37 INVESTMENTS

	Shares in subsidiary undertakings £m
Cost:	
At 1 January 2011	521
Additions	44
At 31 December 2011	**56.5**
Reduction in deferred consideration	(0.1)
At 30 December 2012	**56.4**
Impairment:	
At 1 January 2011	446
Charged in the year	44
At 31 December 2011	**49.0**
Charged in the year	1.8
At 30 December 2012	**50.8**
Net book value	
As at 30 December 2012	**5.6**
As at 31 December 2011	75

In preparing the accounts of the Company for the year ended 31 December 2011 the Directors performed a value in use assessment by applying a perpetuity factor (using the UK business pre-tax cost of capital of 15 68% (Note 14)) to the EBITDA for the year ended 31 December 2011 of each subsidiary as a reasonable proxy for pre-tax cash flow Future cash flow forecasts for each subsidiary were not prepared in light of the group reorganisation described below The Company concluded that this methodology was appropriate as it enabled an estimation of each investment individually as required by Financial Reporting Standard 11 The Directors believed that the methodology had limitations, as future cash flows had not been prepared for each subsidiary individually and the application of a perpetuity factor to 2011 results represented a simplified approach to determining value in use, which the Directors believed to be reasonable in light of the 2012 reorganisation

During 2012 the UK operations were reorganised so that each main segment operated through a single company, save that off framework business for all segments operate through a separate company Thus, budgets and forecasts prepared for the segments can be used to assess the forecast future cash flows, and hence the valuation, of subsidiary undertakings That exercise has been completed, using the same methodology adopted in assessing the value in use of the UK goodwill and intangible fixed assets as disclosed in Note 14, and as a result there is a net additional impairment of the UK subsidiaries of £0 3m In addition, following the substantial impairment provisions booked in the Australian business the investment in HCL International Pty Ltd has been impaired by £1 5m

38 SUBSIDIARY UNDERTAKINGS

The principal undertakings in which the Company has an interest at the year-end are as follows:

Name		Nature of business
HCL Doctors Limited (formerly Thames Medics Limited)		On framework supply of professional health services of statutorily registered doctors
HCL Healthcare Limited		On framework supply of professional health services of health professionals and ancillary staff
HCL Nursing Limited (formerly Orion Locums Limited)		On framework supply of professional health services of statutorily registered nurses
HCL Social Care Limited (formerly Blue Group International Limited)	*(a)*	On framework supply of professional health services of social workers
JCJ Locums Limited (formerly Allied Health Professionals Limited)		Off framework supply of professional health services of statutorily registered doctors, nurses social workers health professionals and ancillary staff
HCL Permanent Limited (formerly Docshop Limited)		Supply of medical staff on a permanent placement basis
HCL Managed Services Limited (formerly JCJ Limited)	*(b)*	Supply of managed services to the healthcare market
MPS Healthcare Limited (formerly Medical Technical Limited)		Supply of professional health services of statutorily registered medical staff
Recruitment Specialist Group Limited		Holding company
HCL GPs Limited		Activity ceased during 2012*
Nurselink Worldwide Limited		Activity ceased during 2012*
JCJ Group Limited		Activity ceased during 2012*
MJV Locums Limited		Activity ceased during 2012*
HCL International Pty Limited		Supply of medical staff on a permanent placement basis
Healthcare Australia Holdings Pty Limited (HCA)	*(c)*	Holding company for Australian subsidiary undertakings
Healthcare Australia Pty Limited	*(c)*	Principal subsidiary of Healthcare Australia Holdings Pty Ltd
Acclaim Recruitment Pty Limited	*(d)*	Nursing Agency
ASEPS Pty Limited	*(d)*	Nursing Agency
Care Services Admin Pty Limited	*(d)*	Admin staff for the business
Goongee Pty Limited	*(d)*	Nursing Agency
Malvern Payroll Management Services Pty Limited	*(d)*	Nursing Agency
NT Medic Pty Limited	*(d)*	Nursing Agency
Nursing Agency Australia Pty Limited	*(d)*	Nursing Agency
PNS (PCC) Pty Limited	*(d)*	Nursing Agency
PNS (Staffing Synergy) Pty Limited	*(d)*	Nursing Agency
PNS (Vic) Pty Limited	*(d)*	Nursing Agency
Select Unit Trust	*(d)*	Nursing Agency

* As part of the restructuring of the Group the staff placement activities of certain subsidiary undertakings ceased during 2012

All subsidiaries are 100% owned by HCL other than those marked:

(a) owned 100% by Blue Group International Holdings Limited,

(b) owned 100% by JCJ Group Limited

(c) owned 100% by HCL International Pty Limited, and

(d) owned 100% by HCA

In December 2012 HCL International Pty Limited issued new shares to Recruitment Specialist Group Limited (Note 39)

All 100% share ownerships also represent 100% of the voting rights

All subsidiaries operate in the United Kingdom and are registered in England and Wales other than HCL International Pty Limited and subsidiaries thereof which are registered in Australia The table above excludes dormant subsidiaries in the United States, Canada and South Korea All companies have been included in the consolidated results of the Group

38 SUBSIDIARY UNDERTAKINGS (continued)

The following subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of that Act

Name.	Registered number
HCL Doctors Limited	3069773
HCL Healthcare Limited	3496076
HCL Nursing Limited	5980817
HCL Social Care Limited	3710864
JCJ Locums Limited	5790018
HCL Permanent Limited	5790004
HCL Managed Services Limited	2273072
MPS Healthcare Limited	3989591
Recruitment Specialist Group Limited	3216930

Name.	Registered number.
HCL GPs Limited	5130842
Nurselink Worldwide Limited	5804412
JCJ Group Limited	4469671
MJV Locums Limited	7305911
BBL Medical Recruitment Limited	5716382
JCJ Holdings Limited	4402407
HCL Dubai Limited	5755169
Blue Group International Holdings Limited	4171692

The above subsidiaries' outstanding liabilities at 30 December 2012 had been guaranteed by the Company pursuant to sections 479A-C of the Act

39 TRADE AND OTHER RECEIVABLES

	30 December 2012 £m	31 December 2011 £m
Trade debtors	-	3.5
Other debtors	0.1	0 2
Prepayments	1 2	0 7
Accrued income	-	0 1
Corporation tax	-	0 5
Amounts receivable from subsidiary undertakings	45.2	58 9
	46.5	63 9

The reduction in amounts due from subsidiary undertakings primarily relates to the impairment of balances due from Healthcare Australia Pty Limited and from Recruitment Specialist Group Ltd which was loaned money to invest in the recapitalisation of HCL International Pty Ltd in 2011 and 2012 partly offset by increases relating to amounts due on the transfer of businesses during the reorganisation discussed in Note 37

The net amounts due from subsidiary undertakings are repayable on demand and do not bear any interest

All other amounts shown within trade and other receivables fall due for payment within one year

40 TRADE AND OTHER PAYABLES AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 December 2012 £m	31 December 2011 £m
Trade creditors	0.6	1 2
Amounts due to subsidiary undertakings	20.1	16 9
Other taxes and social security	0.4	0 6
Accruals	2.5	3 5
Deferred income	-	0 1
Other creditors	0.6	0 2
	24.2	22.5

All amounts due to subsidiary undertakings are repayable on demand and do not bear any interest

41 PROVISIONS AND DEFERRED CONSIDERATION

	Contingent consideration £m	Onerous contracts £m	Onerous leases £m	Total provisions £m	Deferred consideration £m
At 1 January 2011	0 5	-	-	0 5	-
Transfer to deferred consideration re Orion/MJV (Note 17)	(0 5)	-	-	(0 5)	0 5
Paid during the year	-	-	-	-	(1 0)
Applied in settlement of new shares subscription (Note 24(b)(i))	-	-	-	-	(2 5)
Charged / (credited) to profit & loss	-	0 4	1 5	1 9	3 9
At 31 December 2011	-	**0.4**	**1.5**	**1.9**	**0.9**
Paid during the year	-	**(0.1)**	**(0.4)**	**(0.5)**	**(0.8)**
Agreed reduction in consideration	-	-	-	-	**(0.1)**
Charged / (credited) to profit & loss	-	-	**(0.3)**	**(0.3)**	-
At 30 December 2012	-	**0.3**	**0.8**	**1.1**	-
30 December 2012:					
Current	-	-	**0.2**	**0 2**	-
Non-current	-	**0.3**	**0.6**	**0.9**	-
31 December 2011					
Current	-	-	0 8	0 8	0 9
Non-current	-	0 4	0 7	1 1	-

At the time of the Refinancing of the Company in September 2011, the Company was obliged to enter into two interest rate swaps with a fair value loss of £0 4m at inception These onerous contracts have no purpose are not held for either trading or investment and therefore a provision has been recorded for the expected loss as an onerous contract The fair value at 30 December 2012 was £0 3m (2011 £0 4m)

There are two contracts, each with principal amounts of £2 720 000. The Company pays a fixed rate of 3 305% and receives floating rate interest based on LIBOR in return The contracts expire on 31 December 2014

As reported in Note 17 Craig Tibbles accepted £800,000 at the earlier possible settlement date in settlement of the remaining sum due to him on the acquisition of Orion/MJV Under UK GAAP accounting the deferred consideration creditor is reduced by the difference between the obligation recorded and the actual settlement, and the cost of investment is similarly reduced (Note 37)

42 ZERO COUPON LOAN NOTES

	30 December 2012 £m	31 December 2011 £m
Fair value at the beginning of the year	**2.6**	-
Fair value of notes issued	-	2 5
Imputed interest in the year	**0.4**	0 1
Fair value at the end of the year	**3.0**	2 6

£10,212,500 of Zero Coupon Loan Notes were issued to Ares Lux as part of the Refinancing of the Company in September 2011 They are repayable in normal circumstances in September 2021, or earlier in the event of another refinancing or a change of control of the Group The Directors have discounted the Zero Coupon Loan Notes at 15%, a rate between the cost of the Group s senior debt and the cost of equity after the Refinancing to give a fair value at the time of issue of £2,505,115 The imputed interest is charged to finance expenses from the date of issue until the repayment date The charge in the 52 weeks ended 30 December 2012 was £392 754 (2011 from date of issue £113,245) The Loan Notes contain an embedded derivative as additional Loan Notes, up to a maximum value of £2,500,000, will be issued if the Group achieves certain EBITDA targets in the years ended 31 December 2013 and/or 2014, or if the Enterprise Value at 31 December 2013 and/or 31 December 2014 and/or 31 December 2015 exceeds certain target amounts No value has been attributed by the Directors to the embedded derivative at the time of issue or at any subsequent year-end as the Directors believe these targets will not be met.

43 SHARE CAPITAL

All details of the allotted, called up and fully paid share capital, plus the movements during the prior year are set out in Note 25 to the Group Financial Statements

44 RESERVES

	Share premium account £m	Share option reserve £m	Profit and loss account £m
At 1 January 2011	45 3	4 7	(68 5)
Loss for the year	-	-	(6 1)
Issue of share capital	9 9	-	(2 3)
Gain on Ares Lux debt for equity swap	-	-	(9 9)
Share scheme credits	-	(0 5)	-
Warrants lapsed during the year	-	(2 6)	2 6
Warrants amortised during the year	-	(0 4)	0 4
Dividend paid during the year	-	-	(2 1)
At 31 December 2011	**55.2**	**1.2**	**(85.9)**
Loss for the year	-	-	**(25.4)**
At 30 December 2012	**55.2**	**1.2**	**(111.3)**

45 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks ended 30 December 2012 £m	Year ended 31 December 2011 £m
Loss for the year	**(25.4)**	(6 1)
Gain on Ares Lux debt for equity swap	-	(9 9)
Dividend paid during the year	-	(2 1)
Issue of shares	-	73 5
Share issue costs	-	(2 3)
Premium on shares issued	-	9 9
Share scheme credits	-	(0 5)
	(25.4)	62 5
Add Opening shareholders' funds	**55.3**	(7 2)
Closing shareholders' funds	**29.9**	55 3

46 PENSIONS

The Company operates a defined contribution pension scheme There were no outstanding or prepaid contributions at either the beginning or end of the financial year

47 COMMITMENTS UNDER OPERATING LEASES

As at 30 December 2012, the Company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings		Other	
	30 December 2012 £m	31 December 2011 £m	**30 December 2012 £m**	31 December 2011 £m
Operating Lease commitments payable.				
Under 1 year	-	0 1	**0.1**	0 1
1-2 years	-	0 1	-	0 4
2-5 years	-	-	-	-
Over 5 years	**1.0**	0 8	-	-
	1 0	1 0	**0.1**	0 5

48 RELATED PARTY TRANSACTIONS

See Note 30 to the Group Financial Statements for transactions with and balances due from and to related parties All the reported transactions were with the Company

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the Group headed by the Company on the grounds that 100% of the voting rights in the other members of the Group are controlled by the Company and the results of all subsidiary undertakings are included in the Group Financial Statements

49 SHARE OPTION SCHEME

Full details on the Company share option scheme are given in Note 31 to the Group Financial Statements.

50 CONTINGENT LIABILITIES

Details of the main material contingent liabilities for the Company are set out in Note 27 In addition the Company is party to the SFA and, as a result, is a guarantor of all borrowings of the Group Details of Group borrowings are disclosed in Note 20

As set out in Note 38 the Company has guaranteed the liabilities at 30 December 2012 of the named UK subsidiary undertakings The amounts receivable from subsidiaries at 30 December 2012, as set out in Note 39, have been impaired where there is a possibility that full settlement of group indebtedness will not be possible if external liabilities are settled in full

51 POST BALANCE SHEET EVENTS

Full details of post Balance Sheet events relevant to the Company are given in Note 32